This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2205

LISTED AUG 4 1965

8,330,575 shares of 20¢ par value, of which 543,422 are subject to issuance
Ticker abbreviation "OXY"
Dial ticker number 1975
Post section 11

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

OCCIDENTAL PETROLEUM CORPORATION

"The Company"
Incorporated under the Laws of
The State of California on May 21, 1920

CAPITALIZATION ON MARCH 31, 1965

CAPITAL STOCK	AUTHORIZED	OUTSTANDING	TO BE LISTED
Par value 20¢ per share	10,000,000 shares	7,787,153 (1 & 2)	8,330,575

(1) Includes 8,061 shares outstanding which will be issued upon surrender for exchange of remaining common stock of Jefferson Lake Sulphur Company, now merged with and into the Company.

(2) Includes 16,543 shares held in Treasury.

LONG TERM DEBT — Company and Subsidiaries at December 31, 1964

Jefferson Lake Petrochemicals of Canada Ltd.	
6½% Secured Sinking Fund Debentures Due 1981 Payable to Bank	$ 3,952,000
6½% Subordinated Convertible Debentures Due May 1, 1978	240,000
5⅛% Notes Payable to Bank Due 1971 and 1974 Secured by Certain Interests in Occidental's Gas Fields	15,397,000
Other Long Term Debt	20,658,000
	$40,247,000

April 15, 1965

APPLICATION

OCCIDENTAL PETROLEUM CORPORATION (hereinafter referred to as "the Company") hereby makes application of 8,330,575 shares of its capital stock, par value 20¢, of which 7,787,153 are outstanding as fully paid and non-assessable. The remaining 543,422 shares of capital stock have been reserved as follows:

	SHARES
Issuable upon exercise of options granted or that may be granted under the Company's 1961 Employees' Stock Option Plan	520,651
Issuable upon conversion of S. V. Hunsaker & Sons, 6½% convertible subordinated debentures due May 1, 1978, assumed by the Company. The debentures outstanding have been called for redemption on May 3, 1965. At March 31, 1965, $228,400 principal amount remained outstanding	9,072
Issuable upon exercise of restricted stock options granted by Jefferson Lake Sulphur Company and assumed by the Company	7,979
Issuable upon exercise of options granted to certain key employees of S. V. Hunsaker & Sons	1,560
Issuable upon exercise of outstanding stock purchase warrants of S. V. Hunsaker & Sons, Inc., assumed by the Company. These warrants are convertible into capital stock of the Company during the period May 1, 1964 through expiration on April 30, 1968, at prices ranging from $27.50 to $32.00 per share	4,160

HISTORY AND NATURE OF BUSINESS

On January 18, 1965, Occidental issued to its shareholders, rights to subscribe to one additional share of capital stock for each six shares of capital stock then held, at a subscription price of $20.00 per share. Of the 1,110,022 shares so offered, 1,093,162 shares were purchased by the exercise of rights prior to the expiration of the offer on February 8, 1965 and 16,860 shares were purchased by the several underwriters who agreed to purchase all unsubscribed shares. Net proceeds to Occidental after deducting underwriters' fees and expenses payable by Occidental estimated at $930,000, were approximately $21,270,440.

Reference is made to the Prospectus covering this offering, dated January 18, 1965, (the "Prospectus"), and to the Annual Report to Shareholders for the year 1964, attached as a part of this listing application, for a description of the business and properties of Occidental and its subsidiaries, the financial statements and other material information.

INCORPORATION

The Company is incorporated under the Laws of the State of California under original Articles of Incorporation filed May 21, 1920. The following is a summary of changes in the authorized stock capitalization of the Company since its incorporation:

DATE	NO. OF AUTHORIZED SHARES (COMMON STOCK)	PAR VALUE	AGGREGATE PAR VALUE
May 7, 1920	1,000,000	$1.00	$1,000,000
July 13, 1955	5,000,000	0.20	1,000,000
March 31, 1961	10,000,000	0.20	2,000,000

As of January 1, 1954, there were 630,000 shares of capital stock outstanding. Information with respect to changes in the amounts of the Company's capital stock over the past ten (10) years is as follows:

NO. OF SHARES ISSUED	DATE OF ISSUANCE	PURPOSE OF ISSUANCE	CONSIDERATION RECEIVED
570,000	Jan. & Feb. 1956	Property acquisitions and drilling	$ 114,000
140,000	Sept. & Oct. & Nov. 1956	Property acquisitions and drilling	$ 266,000
192,500	Jan. & Feb. 1957	Development and exploratory drilling programs	$ 385,000
200,000	July, 1957	Development and exploratory drilling programs	$ 300,000
250,000	Jan., March & June, 1958	Development and exploratory drilling programs	$ 375,000
61,771	Nov., Dec. 1958	Cancellation of notes	$ 169,870
83,335	Dec., 1958	Employees stock option exercises	$ 144,170
300,000	Feb. 1959	Acquisition of producing interests in certain California leases & wells; cancellation of notes and other corporate purposes	Acquisition of producing oil properties and cancellation of $50,000 of the Company's indebtedness.

NO. OF SHARES ISSUED	DATE OF ISSUANCE	PURPOSE OF ISSUANCE	CONSIDERATION RECEIVED
300,000	March & April, 1959	Development program in Four Corners Area of New Mexico and Colorado and acquisition of securities	$ 900,000
160,000	June, 1959	Acquisition of Gene Reid Drilling, Inc.	All outstanding capital stock of Gene Reid Drilling, Inc.
233,332	1959	Development & exploratory drilling program (and Employee Stock Option exercises)	$ 789,564
624,188	Jan., Feb. 1960	Pursuant to rights offering to shareholders (as to 312,094 shares) and to an underwriting group (as to 312,094 shares) for the uses and purposes as set forth in the Company's prospectus dated January 8, 1960	$2,496,752
33,332	1960	Employee Stock Option exercises	$ 57,664
112,000	April - May 1960	Development and exploratory drilling program	$ 560,000
160,000	Nov. & Dec. 1961	Acquisition of Signet Oil & Gas Co.	All outstanding capital stock of Signet Oil & Gas Co.
53,302	Jan., 1962	Acquisition of certain producing interests in McMullin Ranch Gas Field, California and in Colorado and Nebraska	$ 533,020
44,672	1961	Employee Stock Option exercises	$ 192,682
84,928	1962	Development & exploratory drilling programs	$ 481,608
460,606	1962	Issued upon conversion of Company's fifteen-year 6½% Subordinated Convertible Debentures due 1976 at the rate of $8.50 per share	$3,915,151
187,470	Jan., 1962	4% stock dividend paid January 2, 1963	Fair market value for book purposes set at $20.25 per share (aggregate - $3,796,268)
18,304	1963	General corporate purposes	$ 209,125
420,987	July, Aug. 1963	Purchase of the business and assets of The Best Fertilizers Co. and The Best Fertilizers Co. of Texas, and affiliated companies	All of the business and assets of The Best Fertilizers companies.
103,579	Dec., 1963	Purchase of business and assets of International Ore & Fertilizer Corporation, and interests in certain affiliates	All of the business and assets of International Ore & Fertilizer.
213,800	Jan., 1964	4% stock dividend paid January, 1964	Fair market value for book purposes set at $25.50 per share (aggregate - $5,451,900)
532,605	March, 1964	Acquisition, through merger, of Jefferson Lake Sulphur Company, *(including 8,061 outstanding but unissued shares representing shares issuable to holders of Jefferson Lake Sulphur Company comon shares which on March 15, 1965, had not been surrendered for exchange)	All of the business and assets of Jefferson Lake Sulphur Company and subsidiaries.
160,938	July, 1964	Purchase of the business and assets of S. V. Hunsaker & Sons	All of the business and assets of S. V. Hunsaker & Sons.
21,898	1964	Employees' stock option exercises	$ 304,056
4,491	1964	Employees' stock option exercises - Jefferson Lake Sulphur Company optionees	$ 96,894
49,482	1964	Issued in conversion of 6½% convertible debentures assumed in acquisition of S. V. Hunsaker & Sons	$1,236,550

250,089	Jan., 1965	4% stock dividend paid January, 1965	Fair market value for book purposes set at $28.30 per share (aggregate - $7,077,519)
18,176	Jan., 1965	Employees' stock option exercises	$ 264,943
914	Jan., Feb. 1965	Employees' stock option exercises - Jefferson Lake Sulphur Company optionees	$ 18,932
432	Jan., Feb., March, 1965	Conversion of Debentures of S. V. Hunsaker & Sons	$ 11,600
1,110,022	Feb., 1965	Issued pursuant to rights offering to shareholders described in Prospectus dated January 18, 1965	Gross proceeds - $22,200,440

PRINCIPAL PROPERTIES AND PRODUCTS OF THE COMPANY AND ITS SUBSIDIARIES

Reference is made to the Prospectus for particulars with respect to the principal properties and products of Occidental and its subsidiaries.

AFFILIATED COMPANIES

The corporations listed below are all operating subsidiaries or affiliates of the Company or of its wholly-owned subsidiaries. Information as to (i) authorized capital stock, (ii) the amount of each class of capital stock each corporation has outstanding, (iii) the amount of each class owned by the Company and its wholly-owned subsidiaries and (iv) a brief description of the business of each such corporation is set forth therein.

CAPITAL STOCK

Name	Authorized	Issued and Outstanding	Owned by Company	Business Description
*The Best Fertilizers Co.	1,000 shs. $ 1.00 par value	1,000	1,000	Manufacturer and distributor of commercial fertilizers and heavy chemicals.
*The Best Fertilizers Company (Texas)	1,000 shs. $ 1.00 par value	1,000	1,000	Manufacturer and distributor of commercial fertilizers and heavy chemicals.
*California Ammonia Co.	Class A Common $ 2.50 par value 500,000 shs.	319,879	None	Manufacturer of anhyrous ammonia.
	Class B Common $ 2.50 par value 550,000 shs.	447,487	403,587	
*Best Chemicals and Fertilizers Co., Ltd.	1,000,000 shs. No par value	2,250	2,000	Distributor of agricultural fertilizers and chemicals.
*Agri-Supply Finance Company	100,000 shs. $ 10.00 par value	15,000	14,500	Financing dealer operations.
*B. D. Chemicals Service Co.	2,500 shs. $ 10.00 par value	1,250	1,030	Distributor of agricultural fertilizers and chemicals.
*Best Properties, Inc.	2,000 shs. $100.00 par value	800	400	Operator of warehouse facilities.
*American Fertilizer Co.	5,000 shs. $ 10.00 par value	2,000	1,040	Distributor of agricultural fertilizers and chemicals.
*Arizona Cotton Co.	500,000 shs. $ 1.00 par value	85,000	85,000	Leased farm operations.
*Associated Farm Supplies	2,500 shs. $ 10.00 par value	1,800	900	Distributor of agricultural fertilizers and chemicals.
*Baggie Agricultural Supply, Inc.	Class A Common $300.00 par value 100 shs.	100	70	Distributor of agricultural fertilizers and chemicals.
	Class B Common $300.00 par value 100 shs.	37		
*Best Fertilizers of Arizona	50,000 shs. $ 10.00 par value	3,890	1,695	Distributor of agricultural fertilizers and chemicals.
*Fresno Growers Service Co.	10,000 shs. $ 10.00 par value	1,620	820	Distributor of agricultural fertilizers and chemicals.
*Garden Valley Fertilizer Co.	2,500 shs. $ 10.00 par value	200	102	Distributor of agricultural fertilizers and chemicals.
*R. F. Supply Co.	5,000 shs. $ 10.00 par value	5,000	4,900	Distributor of agricultural fertilizers and chemicals.
*Westside Products Co.	10,000 shs. $ 10.00 par value	1,000	1,000	Distributor of agricultural fertilizers and chemicals.
*Winton Farm Service Co.	5,000 shs. $ 10.00 par value	1,085	1,000	Distributor of agricultural fertilizers and chemicals.
*International Ore & Fertilizer Corporation	100,000 shs. $ 10.00 par value	100	100	International distributor of phosphate rock and commercial fertilizer.
*Jefferson Lake Sulphur Company	1,000 shs. $ 1.00 par value	1,000	1,000	Exploration and development of sulphur and oil and gas properties.
*Jefferson Lake Petrochemicals of Canada, Ltd.	6,000,000 shs. $ 1.00 par value	2,031,308	1,400,018	Exploration and development of sulphur and oil and gas properties.
*Trans-Jeff Chemical Corporation	100,000 shs. $ .50 par value	100,000	50,000	Extraction of sulphur from sour gas.
†Jefferson Minerals Corporation	500,000 shs. $ 1.00 par value	50,000	50,000	Exploration and development of oil and gas properties.
†Petrogas Processing Ltd.	3,000,000 shs. $ 1.00 par value	1,000,000	301,650	Operator of natural gasoline extraction plant.
Occidental Corporation of Florida	5,000 shs. $ 10.00 par value	100	100	Operations in phosphate industry.
*S. V. Hunsaker & Sons, Inc.	100,000 shs. $ 10.00 par value	100	100	Residence construction.
Occidental Research & Engineering Corporation	100,000 shs. $ 10.00 par value	100	100	Research and development in fertilizer and agricultural chemicals.
Occidental Agricultural Chemicals Corporation	25,000 shs. $ 1.00 par value	1,000	1,000	Fertilizers—manufacture and distribution.

*Equity securities are owned by wholly-owned subsidiaries of Occidental Petroleum Corporation.
†Equity securities are owned by Jefferson Lake Petrochemicals of Canada, Ltd.

PROSPECTUS

1,110,022 Shares

Occidental Petroleum Corporation

CAPITAL STOCK

SUBSCRIPTION PRICE $20 PER SHARE

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

As set forth herein under "Offer to Shareholders," shareholders of record at the close of business on January 18, 1965, are receiving Rights to subscribe for these shares in the ratio of one share for each six shares of Capital Stock then held. The Rights are evidenced by transferable Warrants and will expire on February 8, 1965, if not exercised on or before that date. On January 18, 1965, the last sale price of the Capital Stock on the New York Stock Exchange was $28⅝.

	Subscription Price	Underwriting Discounts and Commissions (1)	Proceeds to Company (1) (2)
Per Share	$20	Minimum $0.50 Maximum $1.30	Maximum $19.50 Minimum $18.70
Total	$22,200,440	Minimum $ 555,011 Maximum $1,443.028	Maximum $21,645,429 Minimum $20,757,412

(1) See "Underwriting" herein for assumptions on which the minimum and maximum underwriting commissions are based and for information concerning possible payment to Occidental Petroleum Corporation by the Underwriters of additional funds.

(2) Before deducting expenses payable by Occidental Petroleum Corporation, estimated at $363,736.

During and after the subscription period, the Underwriters may offer Capital Stock (including Capital Stock issuable upon exercise of Rights purchased for the accounts of the Underwriters), either firm or subject to prior subscription, at prices set from time to time by the Representatives of the Underwriters. Each such price when set will not exceed the greater of the last sale or current asked price of the Capital Stock on the New York Stock Exchange, plus the amount of the commission applicable on such Exchange. A price so set on any calendar day may not be increased more than once during any such day. After the expiration of the subscription period the Underwriters may make public or private offerings of the Capital Stock. The Underwriters may thus realize profits or losses independent of the underwriting commissions stated above.

The list of Underwriters set forth herein under the caption "Underwriting" includes:

LEHMAN BROTHERS   ALLEN & COMPANY INCORPORATED   REYNOLDS & CO.

The date of the Prospectus is January 19, 1965.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CAPITAL STOCK AND RIGHTS TO SUBSCRIBE THERETO AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK AND PACIFIC COAST STOCK EXCHANGES OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

No person is authorized to give any information or to make any representations not contained in this Prospectus in connection with the offer made hereby, and, if given or made, such information must not be relied upon as having been authorized by Occidental Petroleum Corporation or by the Underwriters. This Prospectus does not constitute an offer to sell the shares in any state to any person to whom it is unlawful to make such offer in such state.

OFFER TO SHAREHOLDERS

Occidental Petroleum Corporation hereby offers to holders of its Capital Stock of record at the close of business on January 18, 1965, the right to subscribe, at the subscription price set forth on the cover of this Prospectus (herein called "Subscription Price"), for additional shares of its Capital Stock at the rate of one share for each six shares held. Unsubscribed shares are to be purchased by the Underwriters. Rights to subscribe (herein called "Rights"), are evidenced by fully transferable warrants (herein called "Warrants"). One Right is granted in respect of each share of outstanding Capital Stock. Six Rights are required in order to subscribe for one share of Capital Stock.

Occidental Petroleum Corporation has been advised that its directors and executive officers, who as of December 1, 1964 owned approximately 14% of its outstanding Capital Stock, intend to exercise all of the Rights which they will receive.

Expiration Date

The subscription offer will expire at 3:30 P.M. Pacific Standard Time on February 8, 1965 (herein called "Expiration Date"). Rights not exercised on or before the Expiration Date will be void.

Agents

The agents (herein called "Agents"), who will act in connection with the subscription offer are:

United California Bank, Corporate Trust Division, Post Office Box 54163, Terminal Annex Los Angeles, California 90054	The Chase Manhattan Bank, Corporate Trust Department, 1 Chase Manhattan Plaza New York, New York 10015

How To Subscribe

The Rights may be exercised by filling out and signing the subscription form on the Warrants and delivering them to one of the Agents on or before the Expiration Date, accompanied by payment of the full Subscription Price for all shares purchased.

Payment of the Subscription Price should be made in United States funds by check, bank draft, or postal or express money order to the order of the Agent to whom the Warrant is delivered, or to the order of Occidental Petroleum Corporation. Certificates for shares of Capital Stock will be issued as soon as practicable after subscription and payment of the Subscription Price.

Purchase and Sale of Rights

Rights may be bought or sold through banks or brokers, and have been admitted to trading on the New York and Pacific Coast Stock Exchanges.

Fractional shares will not be issued. Occidental Petroleum Corporation has made arrangements with the Agents under which (subject to their ability to do so), they will sell for each Warrant holder any Rights not used to subscribe for Capital Stock or will buy sufficient Rights (not more than five) to permit subscription by each Warrant holder for full shares of Capital Stock. The Warrants contain forms for use in this connection. Under this arrangement, orders for the purchase or sale of Rights received by each Agent up to 12 o'clock noon on each day during which it is open for business (to and

including February 8, 1965) together with orders received after 12 o'clock noon on the preceding day during which such Agent is open for business, will be executed at the average price (before any brokerage commissions paid) of such Agent's market transactions on the later day (whether made before or after 12 o'clock noon and whether made on a stock exchange or otherwise), minus, in the case of selling orders, and plus, in the case of buying orders, a pro rata portion of any brokerage commissions which it paid on such market transactions. Orders accepted after 12 o'clock noon on February 8, 1965, will be executed at the average price (before brokerage commissions paid) of such Agent's market transactions with respect to such orders (whether made on a stock exchange or otherwise), similarly adjusted for brokerage commissions paid. Buying and selling orders may be offset by the Agents but such orders will be executed at prices determined as outlined above.

Occidental Petroleum Corporation will bear the fees of the Agents.

Foreign Shareholders and Undelivered Warrants

Warrants will not be mailed to shareholders located outside the United States and Canada (including those whose addresses indicate that they are on military or government service outside of this country). Such Warrants will be held by United California Bank, Los Angeles, California, for the accounts of such shareholders who may, prior to 12:00 o'clock noon, Pacific Standard Time, on February 8, 1965, instruct said bank as to the exercise, sale or other disposition of their Rights. If instructions are not received prior to that time, Rights held for such shareholders will, if feasible, be sold and the net proceeds remitted to them or held for their accounts. Rights will similarly be sold, if feasible, where Warrants are undeliverable because of no mailing address or because of return by the post office.

Telegraphic Acceptance

If either Agent, before 3:30 P.M., Pacific Standard Time, on February 8, 1965, shall have received the full Subscription Price by telegram or otherwise, together with a guaranty in writing or by telegram, from a bank or trust company or from a member firm of the New York or Pacific Coast Stock Exchange, or from one of the Underwriters, that the subscription Warrants have been or will be promptly surrendered to said Agent, such subscription will be accepted, subject to withholding delivery of the shares subscribed for until receipt of the duly exercised subscription Warrants.

OCCIDENTAL PETROLEUM CORPORATION

Occidental Petroleum Corporation was incorporated in 1920 under the laws of the State of California. Its principal executive offices are leased at 10889 Wilshire Boulevard, Los Angeles, California. Prior to 1963, its business was limited to the drilling for and producing of oil and gas. In July, 1963, it entered into the field of manufacturing and marketing fertilizers and agricultural chemicals, principally in California and Texas, by acquiring the assets of The Best Fertilizers Co., and The Best Fertilizers Company of Texas. In December, 1963, it acquired the assets of International Ore & Fertilizer Corporation, an export-seller of fertilizers and fertilizer raw materials with offices in 23 countries. In March, 1964, Jefferson Lake Sulphur Company, a producer of oil, natural gas, sulphur, cresylic acid and sodium sulphide was merged into Occidental. As a result of such merger, Occidental acquired 69% of the outstanding shares of capital stock of Jefferson Lake Petrochemicals of Canada, Ltd. (herein referred to as "Petrochemicals"), which extracts sulphur from concentrated hydrogen sulphide gas and, through its 30.5% ownership of Petrogas Processing, Ltd., produces natural gas and condensate in Canada. These shares are pledged as collateral security for certain long term debt (see Note 7(m)

of Notes to Financial Statements of Occidental and Subsidiaries Consolidated). Occidental's percentage equity interest in Petrochemicals is subject to dilution by virtue of Petrochemicals' outstanding Series B Warrants (see Note 8 to "Capitalization"). Jefferson Lake Sulphur Company also owned approximately 76% of the outstanding common stock of Jefferson Lake Asbestos Corporation, but during 1963 had written off its entire investment in, and its loans and advances to, Jefferson Lake Asbestos Corporation. The amount so written off and an amount equal to the liability of Jefferson Lake Sulphur Company as guarantor of certain obligations of Jefferson Lake Asbestos Corporation were charged to Jefferson Lake Sulphur Company's retained earnings prior to the merger in the amount of $6,189,000, which amount was deducted from Jefferson Lake Sulphur Company's net worth in determining the terms of such merger. For various business considerations, including tax benefits, but without direct monetary consideration, during 1964 Occidental transferred its equity interest in Jefferson Lake Asbestos Corporation to a group of unaffiliated persons. In July, 1964, Occidental entered the business of constructing and selling medium price residences and apartments in Southern California, by acquiring the assets of S. V. Hunsaker & Sons. As used in this Prospectus, except as otherwise indicated by the context, "Occidental" means Occidental Petroleum Corporation and its majority owned subsidiaries.

In 1961 and 1962 100% of the net profit of Occidental as then constituted was derived from the production of oil and gas and the sale of carved-out production payments. Giving effect to each acquisition referred to above as though such acquisition had occurred prior to January 1, 1961, except for International Ore & Fertilizer corporation, with respect to which effect is only given subsequent to December 11, 1963, the approximate percentages of net income after taxes of Occidental and its subsidiaries allocable to each area of activity during the three years ended December 31, 1963 and the nine month period ended September 30, 1964 are indicated below. The tax benefit in 1964 resulting from losses on investments and advances not reflected in the consolidated statements of operations have not been considered in the tabulation.

	Years Ending in			Nine Months Ended September 30, 1964
	1961	1962	1963	
		(Percent)		(Percent)
Oil and gas:				
Operations	44*	66*	70*	19
Tax provision of subsidiaries eliminated by the deductibility of the costs of drilling activities, as reflected in the filing of consolidated returns				33
Sulphur and other chemicals	29	17	10	15
Fertilizers and agricultural chemicals	12	7	9	10
International operations			1	4
Residential construction	15	10	10	19
	100	100	100	100

* Includes income derived from sales of carved-out production payments (See Note E to Consolidated Statements of Operations).

The consideration paid by Occidental in connection with each of the aforementioned acquisitions, in addition to the assumption of substantially all of the liabilities of each of the corporations transferring the assets acquired, the aggregate market value (on the date the assets were acquired) of the aggregate

number of shares of Occidental Capital Stock issued, and the book value of the net assets acquired, as shown on the books of the transferor corporation are as follows:

Transferor Corporation	Consideration Paid (Occidental Shares)	Aggregate Market value of Occidental Capital Stock on Date of Acquisition	Book Value of Net Assets Acquired
The Best Fertilizers Companies & affiliates	420,987	$12,052,857	$7,543,389
International Ore & Fertilizer Corporation & affiliates	103,579	2,822,528	1,314,528
Jefferson Lake Sulphur Company	532,605	15,248,540	4,529,339
S. V. Hunsaker & Sons	160,938	5,613,517	5,886,806

PRICE RANGE OF CAPITAL STOCK

The following tabulation shows the price range of Occidental Capital Stock during the period from January 1, 1960, through January 18, 1965 as shown on Occidental's records. Prior to March 2, 1964 the prices are on the American Stock Exchange, thereafter on the New York Stock Exchange. The prices have been adjusted for the 4% stock dividends declared in December, 1962, 1963, and November 1964.

	High	Low
1960	$ 6.89	$ 2.89
1961	22.78	4.11
1962	23.89	11.11
1963		
First Quarter	20.69	18.14
Second Quarter	27.97	18.14
Third Quarter	32.13	24.62
Fourth Quarter	31.55	19.42
1964		
First Quarter	29.09	22.60
Second Quarter	32.45	22.72
Third Quarter	33.65	27.64
Fourth Quarter	32.93	25.84
1965 (through January 18)	29.38	28.00

USE OF PROCEEDS

The net proceeds from sale of the Capital Stock, after deducting underwriting commissions and other expenses in connection with such sale, are estimated at $21,250,000. Approximately $7,000,000 of these proceeds will be used to retire presently outstanding balances of short-term borrowings from banks, $5,000,000 of which were incurred for construction financing for single and multiple family residential units (see "Residential Construction" herein) and $2,000,000 of which were incurred to provide working capital for Occidental's fertilizer and agricultural chemical operations (see "Fertilizers and Agricultural Chemicals" herein). Occidental presently plans to use approximately $12,500,000 of these proceeds in connection with the construction of a phosphate chemicals complex in Florida (see "Phosphates" herein) and approximately $500,000 for the completion of fertilizer plant and facilities presently under construction in Nicaragua, described under the caption "International Operations" herein. It is estimated that the remaining $1,250,000 will be used in 1965 for capital expenditures in connection with the development of Occidental's oil and gas properties and thermal recovery operations (see "Oil and Gas" herein).

Not all of the net proceeds from the sale of the Capital Stock will be immediately utilized in the manner indicated. Pending utilization, such proceeds will be deposited in interest-bearing accounts or invested in interest-bearing obligations.

CAPITALIZATION

The consolidated debt and capitalization of Occidental at November 30, 1964, and at that date adjusted to give effect to the issuance of the Capital Stock, are as follows:

	Amount Outstanding at November 30, 1964 (Note 1)	Amount to be Outstanding
DEBT:		
Occidental and Consolidated Subsidiaries:		
Occidental Petroleum Corporation (Note 2):		
6½% convertible subordinated debentures due 1978	$ 724,000	$ 724,000
5⅛% secured notes payable to bank due in 1971 and 1974	12,324,000	12,324,000
Non-interest bearing notes due 1965	140,000	140,000
The Best Fertilizers Co. and Consolidated Subsidiaries (Note 2):		
6% note due 1977	2,300,000(A)	2,300,000(A)
5¼% note due in annual installments 1970-1979	6,200,000(A)	6,200,000(A)
Various notes (5⅛% — 6½%) payable to banks due 1966-1974 (Note 3)	5,491,000(B)	5,491,000(B)
5½% notes due 1969	184,000	184,000
Jefferson Lake Sulphur Company and Consolidated Subsidiary (Note 2):		
6½% secured sinking fund debentures, due 1981	4,217,000	4,217,000
5⅛% secured notes payable to bank due in quarterly installments September 30, 1964 — March 31, 1972	7,804,000(A)	7,804,000(A)
5¾% note payable to bank due 1969	510,000	510,000
5¼% note due 1973	65,000	65,000
	$39,959,000	$39,959,000
Unconsolidated Subsidiaries:		
S. V. Hunsaker & Sons, Inc. (Note 4):		
Various notes (5½% — 10%) secured by real estate	$43,053,000(B)	$43,053,000(B)
4¾% notes payable to bank	5,000,000(A)	—
Various notes (5½% — 10%)	480,000(B)	480,000(B)
	$48,533,000	$43,533,000
International Ore & Fertilizer Corporation and Consolidated Subsidiaries (Note 5):		
Liability under mineral deposit purchase agreement	$ 4,200,000(A)	$ 4,200,000(A)
MINORITY INTEREST IN PARTLY OWNED SUBSIDIARIES (Note 6)	$ 6,332,000	$ 6,332,000
CAPITAL STOCK:		
Capital stock, par value $.20 per share — Authorized 10,000,000 shares	6,382,502 shs.(7)	7,769,116 shs.(7-9)
Warrants	(Note 8)	

(A) Guaranteed by Occidental

(B) Substantially all of which is guaranteed by Occidental

Notes to Capitalization on following page.

In addition to the obligations shown on the foregoing table, Occidental is the guarantor of an $8,000,000 bank loan to Chatham Realty Corporation, which loan was made in connection with the purchase by Chatham from S. V. Hunsaker & Sons, Inc. of $8,000,000 principal amount of notes secured by second trust deeds. (See Page 34 under "Residential Construction" herein and Note 8 and Note 16 of the Notes to Financial Statements of Occidental Petroleum Corporation and Subsidiaries Consolidated.) For information concerning contingent liabilities of S. V. Hunsaker & Sons, Inc. see Note 9 of the Notes to the financial statements of S. V. Hunsaker & Sons, Inc. Such contingent liabilities, to the extent that they were in existence on the date of acquisition, are guaranteed by Occidental.

NOTES:

(1) Long term debt including current portion thereof, except with respect to S. V. Hunsaker & Sons, Inc. as to which all debt is included. Authorized amounts of debt and amounts outstanding at November 30, 1964, are identical except as follows:

	Amount Authorized	Amount Outstanding
Occidental 5⅛% secured notes due in 1971 and 1974	$18,324,000	$12,324,000

The excess of the amount authorized over the outstanding balance, ($6,000,000) represents the remaining balance of a $15,000,000 bank loan commitment at 5⅛% (see Note 7c of the Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated). Such remaining balance has been borrowed by Occidental in December 1964.

(2) For details, together with the long term debt balance at September 30, 1964, reference is made to Note 7 of the Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated.

(3) Includes 5⅛% note for $1,500,000 borrowed in October, 1964. Reference is made to Note 16 of the Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated for details relating to this obligation.

(4) For details, together with the debt balance at September 30, 1964, reference is made to Note 7 of the Notes to the financial statements of S. V. Hunsaker & Sons, Inc.

(5) For details, reference is made to Note 8 of the Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated and Note 3 of the Notes to the financial statements of International Ore & Fertilizer Corporation and Consolidated Subsidiaries.

(6) Minority interest in subsidiaries not wholly owned is comprised of the following:

	Three Subsidiaries of The Best Fertilizers Co.	Jefferson Lake Petrochemicals of Canada, Ltd.	Total
Minority Interest in:			
Common stock	$1,285,000	$ 664,000	$1,949,000
Capital surplus and retained earnings	1,157,000	3,226,000	4,383,000
	$2,442,000	$3,890,000	$6,332,000

(7) Does not include 555,650 shares reserved under stock option plans, 30,106 shares reserved for issuance under the 6½% convertible subordinated debentures and 4,160 shares reserved for issuance under certain outstanding warrants, on October 31, 1964, adjusted to reflect 4% stock dividend declared in November, 1964.

(8) Includes warrants to purchase Petrochemicals' common stock which, if fully exercised, would reduce Occidental's equity interest in Petrochemicals to 54.03%. On December 31, 1964 said warrants were exercisable at a price of $7 per share and the closing market price for Petrochemicals' common stock on the American Stock Exchange was $9.06 per share. Reference is to Note 14 of Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated for further details.

(9) Includes in addition to the shares offered hereby, the 256,200 shares representing the 4% stock dividend declared in November 1964.

(10) See Note 8 of the Notes to the financial statements of Occidental Petroleum Corporation and Subsidiaries Consolidated for details regarding long term lease obligation of Occidental Corporation of Florida, Incorporated, a consolidated subsidiary, the performance of which obligation is guaranteed by Occidental Petroleum Corporation.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

CONSOLIDATED STATEMENTS OF OPERATIONS (NOTE A)

The following consolidated statements of operations include, on a pooling of interests basis, the consolidated results of operations of Occidental together with those of its significant subsidiaries, other than S. V. Hunsaker & Sons, Inc. (Hunsaker) and International Ore & Fertilizer Corporation (Interore) and subsidiaries. The statements also include the equity in net income of unconsolidated subsidiaries: Hunsaker for all periods presented since Occidental's investment is reflected on a pooling of interests basis, and Interore (accounted for as a purchase) since date of acquisition in 1963. The consolidated statements of operations for the years ending in 1961, 1962, and 1963, and for the nine months ended September 30, 1964, have been examined by Arthur Andersen & Co., independent public accountants, whose opinion is based, in part, on the opinions of other public accountants as set forth in their opinion included in this Prospectus. The statements for the years ending in 1959 and 1960, and for the nine months ended September 30, 1963, have been prepared by the Company and are unaudited but, in the opinion of the Company, include all adjustments (consisting only of normal recurring items plus items referred to in Notes B and C hereto) deemed necessary to a fair statement of the results of operations for those periods.

[please turn to following page]

The statements below should be read in conjunction with the notes to the consolidated statements of operations and in conjunction with the consolidated financial statements and notes thereto which appear elsewhere in this Prospectus.

	Years Ending In					Nine Months Ended September 30 (Note I)	
	1959 (Unaudited)	1960 (Unaudited)	1961	1962	1963	1963 (Unaudited)	1964
	(Amounts in thousands)						
Income:							
Net sales of products	$22,337	$23,393	$25,864	$30,289	$35,828	$27,015	$32,124
Contract drilling	373	1,729	2,796	4,540	1,481	1,002	534
Interest income	64	65	175	403	458	392	125
Miscellaneous	845	463	436	595	1,024	550	866
	$23,619	$25,650	$29,271	$35,827	$38,791	$28,959	$33,649
Operating Costs and Expenses:							
Cost of sales of products	$19,737	$18,897	$19,210	$22,369	$26,014	$19,270	$22,964
Contract drilling costs	304	1,444	2,467	3,936	1,270	823	466
Selling, general and administrative	3,541	3,832	4,088	5,560	6,655	4,858	6,667
Interest and debt expense	637	588	786	994	770	611	746
	$24,219	$24,761	$26,551	$32,859	$34,709	$25,562	$30,843
	$ (600)	$ 889	$ 2,720	$ 2,968	$ 4,082	$ 3,397	$ 2,806
Equity in Net Income of Unconsolidated Subsidiaries:							
S. V. Hunsaker & Sons, Inc.	$ 770	$ 376	$ 540	$ 741	$ 803	$ 688	$ 1,200
International Ore & Fertilizer Corporation	—	—	—	—	54	—	269
Income tax provisions of unconsolidated subsidiaries eliminated by filing consolidated tax returns (Note F)	—	—	—	—	—	—	1,007
	$ 770	$ 376	$ 540	$ 741	$ 857	$ 688	$ 2,476
Net income before Federal income taxes, minority interests and special credits	$ 170	$ 1,265	$ 3,260	$ 3,709	$ 4,939	$ 4,085	$ 5,282
Provision for Federal Income Taxes of Consolidated Subsidiaries Prior to Dates They Became Subsidiaries (Note F)	$ 214	$ 352	$ 391	$ 635	$ 599	$ 603	$ —
Net income (loss) before minority interests and special credits	$ (44)	$ 913	$ 2,869	$ 3,074	$ 4,340	$ 3,482	$ 5,282
Minority Interests in Income of Subsidiaries	78	76	157	274	419	337	271
Net income (loss) before special credits	$ (122)	$ 837	$ 2,712	$ 2,800	$ 3,921	$ 3,145	$ 5,011
Special Credits:							
Income from sale of gas production payments (Note E)	—	—	929	5,478	3,882	2,802	—
Tax benefit resulting from losses on investments and advances not reflected above (Note D)	—	—	—	—	—	—	1,124
Net income (loss) (including production payments and tax benefit from losses not reflected above)	$ (122)	$ 837	$ 3,641	$ 8,278	$ 7,803	$ 5,947	$ 6,135
Per Share (adjusted for 4 per cent stock dividend declared in November, 1964, payable in January 1965) — (Note G):							
Net income (loss) before special credits	$(.03)	$ .15	$ .47	$ .47	$ .61	$ .49	$ .76
Special credits — production payments or tax benefits	—	—	.16	.92	.61	.44	.17
Total	$(.03)	$ .15	$ .63	$1.39	$1.22	$ .93	$ .93
Cash dividends (Note H)	$ —	$ —	$ —	$ .22	$ .46	$ .23	$ .24

The accompanying notes are an integral part of these statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS

(Items applicable to years ended in 1959 and 1960, and the nine months ended September 30, 1963, are unaudited)

(A) The accompanying statements of operations have been presented on the basis set forth above. The results of operations of The Best Fertilizers Co. and subsidiaries consolidated and The Best Fertilizers Company (formerly The Best Fertilizers Company of Texas) for 1962 and prior years, and the net income of S. V. Hunsaker & Sons, Inc. (formerly S. V. Hunsaker & Sons) for the year ended in 1963 and for prior years, are stated on the basis of their respective fiscal years and have not been recast to conform with the fiscal years of Occidental. Significant intercompany transactions have been eliminated. Reference is made to Notes 1 and 2 of the Notes to Financial Statements of Occidental and Subsidiaries Consolidated for further information with respect to the basis for preparation of such financial statements.

(B) The accompanying statements for all periods shown have been retroactively adjusted to reflect a change (adopted in 1964) in accounting for oil and gas costs which is explained in Note 6 to the consolidated financial statements. As a result of this change which includes recognition of certain tax benefits, net income (including production payments) as previously reported has been increased (or decreased) as follows:

Years ended in —	
1959	$ 797,000
1960	96,000
1961	779,000
1962	(487,000)
1963	(451,000)
Nine months ended September 30, 1963	(931,000)

Also, gains on sales of capital assets and write-down of investments, in the net amount of $128,000 in 1959 and $110,000 in 1960, previously shown as special items have been included in miscellaneous income in the accompanying statements.

(C) Occidental's share of income and expenses (after retroactive adjustments mentioned in Note B, above) of joint ventures in which it has investments has been included in the consolidated statements of operations under the applicable captions.

(D) The consolidated statements of operations of Jefferson Lake Sulphur Company, as previously reported for the year ended December 31, 1962 and the nine months ended September 30, 1963, included the accounts of Jefferson Lake Asbestos Corporation, a 76 per cent owned subsidiary. Such subsidiary was not consolidated for the year ended December 31, 1963, and the ownership was disposed of in 1964. The accounts of that company have been retroactively removed from the consolidated results of operations. The effect of this change was to increase net income (including production payments) by $209,000 for the year ended December 31, 1962. Write-offs in the amount of $6,189,000 of investments, advances, and provision for guarantees relating to that company were charged to retained earnings in 1963.

(E) In 1961, 1962, and 1963, Occidental sold the following "carved-out gas production payments," which are reflected separately in the accompanying statements of operations:

	Production Payments Sold In			
	Year Ended			Nine Months Ended September 30,
	1961	1962	1963	1963
Production payments sold	$1,200,000	$8,350,000	$7,250,000	$6,250,000
Provision for future production costs and depreciation, depletion and amortization (after retroactive adjustment mentioned in Note B above)	271,000	2,872,000	3,368,000	2,448,000
Provision for Federal income taxes (eliminated by tax deductions by December 31, 1963)	—	—	—	1,000,000
Income from sales of production payments	$ 929,000	$5,478,000	$3,882,000	$2,802,000

Under an alternative generally accepted method of accounting (now more commonly used and adopted by Occidental for production payments sold in 1964) for sales of carved-out production payments, proceeds from such sales are accounted for as deferred income to be included in sales as the oil or gas (or other products) required to liquidate such payments is produced. If, in connection with the cash received from the carved-out production payments, Occidental had followed this alternative method, the amounts reported as net income for the years ended December 31, 1961, 1962, and 1963, and for the nine months ended September 30, 1963, would, as a matter of accounting, have been reduced by $920,000, $4,954,000, $3,501,000, and $2,533,000, respectively, and increased by $7,000 for the nine months ended September 30, 1964.

During 1964, one of Occidental's subsidiaries sold a carved-out sulphur production payment in the amount of $2,000,000. Such amount, after deducting $228,000 representing sulphur produced to September 30, 1964, to partially liquidate such production payment, and after deducting a charge equivalent to income tax benefits of $550,000 recognized in the accounting for oil and gas costs (see Note B) which were occasioned by the sale of the sulphur payment, has been deferred and will be included in income as the additional sulphur required to liquidate the production payment is produced.

(F) As a result of the deduction for tax purposes of certain items capitalized for financial statements purposes, and as a result of utilizing operating loss carryforwards created thereby, no Federal or Canadian income taxes have been paid by Occidental nor by Jefferson Lake Sulphur Company and its Canadian subsidiary during the five years and nine months ended September 30, 1964. Certain tax benefits relating to domestic oil and gas operations have been recognized in accumulated depreciation, depletion, and amortization (see Note 6 to the consolidated financial statements).

Occidental follows the practice of filing consolidated income tax returns including its wholly owned domestic subsidiaries. The accompanying statements include provisions for Federal income taxes applicable to income of consolidated subsidiaries accounted for on a pooling of interests basis for the periods prior to the dates they became subsidiaries.

(G) Per share computations are based on the average number of shares of capital stock of Occidental outstanding during each period, retroactively adjusted to give effect to (1) the two 4 per cent stock dividends issued in January, 1963, and January, 1964; (2) the 4 per cent stock dividend declared November 30, 1964, payable January 11, 1965; and (3) the issuance of capital stock in connection with poolings of interests (see Note 1 to consolidated financial statements), except that retroactive effect has been given with respect to the shares equivalent to the shares of The Best Fertilizers Co. and The Best Fertilizers Company which were issued in exchange for convertible debentures of those companies and the shares equivalent to shares sold by Hunsaker in 1963 only since the dates of the conversions or sale.

(H) No cash dividends were paid by pooled companies on their common stocks during the periods prior to the dates of pooling except for $88,000 paid during the year ended December 31, 1963, and $23,000 during 1964. Accrued dividends on the preferred stock of Jefferson Lake Sulphur Company, which was retired during 1964, amounting to $66,000 each year and $35,000 in the nine months ended September 30, 1964, have been included in minority interests in income of subsidiaries for all periods.

Under the terms of the Indenture relating to the S. V. Hunsaker & Sons convertible debentures, consolidated retained earnings in the amount of $7,560,000 were restricted as to the payment of cash dividends at September 30, 1964.

Cash dividends per share are stated on the basis of the shares outstanding at the dates such dividends were declared, as adjusted for all subsequent stock dividends.

A cash dividend of 25 cents per share was declared by the board of directors of Occidental in November 1964, payable in January 1965.

(I) Operating results for the nine-month periods ended September 30, 1963 and 1964 are not necessarily indicative of results for full fiscal years.

DIVIDENDS

Occidental has declared semi-annual cash dividends of $.25 per share since December 3, 1962 and has declared annual stock dividends of 4 per cent in 1962, 1963 and 1964. On November 30, 1964, Occidental declared dividends of 25¢ per share and 4% in stock, payable on January 11, 1965 to shareholders of record on December 11, 1964. Prior to 1962 Occidental had not paid dividends for many years. Reference is made to "Description of Capital Stock" for certain restrictions on the amount of retained earnings available for the payment of dividends.

BUSINESS OF OCCIDENTAL

Oil and Gas

Occidental produces and markets crude oil, natural gas and natural gas liquids from wells and properties in California; in the Rocky Mountain states of Colorado, Montana, Nebraska, New Mexico and Wyoming; in Oklahoma; and in the Gulf Coast area of Texas and Louisiana. The majority of the property interests in these areas are working or operating interests. Through Petrochemicals, Occidental indirectly owns an interest in wells and properties in the provinces of Alberta and Saskatchewan, Canada, and a waterflood unit in Texas. The following table sets forth the number of gross and net wells in which Occidental had an interest at September 30, 1964, in each of the principal operating areas:

GROSS AND NET WELLS BY AREAS AT SEPTEMBER 30, 1964
(A dual-zone completion is counted as two wells)

	Gross Oil Wells				Total Net Oil Wells
	Producing	Idle(1)	Unconnected(2)	Total	
California	166	31	4	201	142.95
Rocky Mountain States	33	3	–0–	36	13.81
Oklahoma	26	–0–	2	28	15.50
Gulf Coast	182	3	–0–	185	33.24
Total U.S.	407	37	6	450	205.50
Canada	25	11	–0–	36	8.88
Grand Total	432	48	6	486	214.38

	Gross Gas Wells				Total Net Gas Wells
	Producing	Idle(3)	Unconnected(4)	Total	
California	60	32	31	123	56.95
Rocky Mountain States	10	2	–0–	12	12.00
Oklahoma	9	–0–	7	16	8.75
Gulf Coast	23	5	6	34	12.03
Total U.S.	102	39	44	185	89.73
Canada	16	7	6	29	5.95
Grand Total	118	46	50	214	95.68

	Producing	Idle	Unconnected	Total	Total Net Wells
Total Wells All Areas	550	94	56	700	310.06

(1) Idle oil wells are either uneconomic to produce under primary methods at prevailing oil prices or require remedial work. Most of the wells will be returned to production utilizing thermal recovery methods.

(2) Unconnected oil wells have been completed and will be placed on production as soon as production or shipping facilities are installed.

(3) In the majority of cases, the idle wells will again be produced when colder weather will increase the market demand. In the remainder, the idle gas wells are either uneconomic to produce at prevailing gas prices, or require remedial work.

(4) Unconnected gas wells are not tied into a sales outlet, and in most cases are not yet under contract.

SUMMARY OF RECENT PRODUCTION

The table below summarizes the recent production net to Occidental from wells in which Occidental had an ownership interest at September 30, 1964, after deduction for royalties and interests of others. Production from wells acquired from Jefferson Lake Sulphur Company is only included after April 1, 1964, as is Occidental's net share of the production from Petrochemicals. "Net producing wells" includes all wells that contributed production from such wells for any part of the periods cited. A dual-zone completion is counted as two wells. Oil and gas produced for carved-out production payments is set forth separately.

PERIOD	NET PRODUCING WELLS(1)		OIL PRODUCTION (Bbls) (2)			GAS PRODUCTION (Mcf) (3)		
	OIL	GAS	Net to Occidental Before Production Payments	Produced For Production Payments	Net to Occidental After Production Payments	Net to Occidental Before Production Payments	Produced For Production Payments	Net to Occidental After Production Payments
1960	38.34	13.44	88,204	11,098	77,106	1,792,083	–0–	1,792,083
1961	52.78	15.78	111,683	10,048	101,635	2,579,901	–0–	2,579,901
1962	57.37	28.63	190,933	–0–	190,933	4,214,954	2,714,585	1,500,369
1963	91.76	51.61	246,781	–0–	246,781	13,599,515	5,272,633	8,326,882
1964 (January through March)	107.65	51.40	99,455	–0–	99,455	4,465,336	1,591,631	2,873,705
1964 (April through August) (4)	168.44	70.40	335,788	25,244	310,544	8,316,569	2,180,976	6,135,593
1964 September(5)	174.07	57.80	78,356	5,254	73,102	1,669,069	464,460	1,204,609

(1) One net well is equivalent to 100% of the working interest in one well. Any well in which Occidental had an interest that produced for any part of the period cited is included in the net well count.

(2) Oil Production includes natural gas liquids.

(3) One Mcf is one thousand cubic feet.

(4) Wells and production acquired from Jefferson Lake Sulphur Company included commencing with April 1, 1964. Occidental's net share of wells and production owned indirectly through approximately 69% ownership of outstanding common stock of Petrochemicals included commencing April 1, 1964.

(5) Includes net share of wells and production owned indirectly through Petrochemicals. See footnote 4.

From the standpoint of reserves and production, the Sacramento-San Joaquin Valley of California is at present the most important producing area for Occidental. (See "Marketing" herein.) Approximately 64% of Occidental's estimated gas reserves and 38% of Occidental's estimated oil reserves are located therein, and for the first nine months of 1964 approximately 60% of its net gas sales and 41% of the net oil sales were made therefrom. The Lathrop Gas Field, located nine miles south of the City of Stockton, California contains approximately 50% of Occidental's estimated gas reserves. Occidental's interest in the Lathrop reserves has been hypothecated to secure certain long term borrowing (see Note 7(c) to Financial Statements of Occidental and Subsidiaries Consolidated). It is the second largest dry gas field in the state of California based on remaining reserves. Average heating value of Lathrop gas is between 850 and 899 Btu (British thermal units) with a present contractual sales price of 26.5¢/Mcf at the well-head.

In the San Joaquin and Los Angeles basins of California Occidental is conducting thermal recovery operations on five separate properties in order to increase the amount of recoverable reserves and the rate of production of wells on these properties which normally produce viscous low gravity crude oils at low rates. By injecting steam cyclically into the producing formation, or by actually burning a fraction of the crude in the producing formation (*in situ* combustion or "fireflooding"), the viscosity of the crudes is greatly decreased, the oil flows more readily and the production rate is thus substantially increased. Stimulation by the steam soaking method has initially increased Occidental's individual wells' performance from 10 to 30 times that of the production prior to treatment. A tenfold increase in production was noted in the first well responding to a fireflood. The production rate will decline with time.

The first income from the application of thermal methods was derived in the third quarter of 1964. In order to exploit fully the thermal properties that are now owned by Occidental, it may be necessary to drill as many as 400 shallow wells during 1965 and 1966.

On December 28, 1964, Occidental's first steamflood well in the White Wolf Field, Kern County, California, KCL 123, was placed on production. The first 24-hour production rate was approximately fifteen times the production rate of 50 barrels per day of 14 degree gravity oil obtained from the well immediately prior to the steam treatment. Obviously, the first 24-hour rate will be subject to decline at rates indeterminable until additional time elapses. A total of 22 producing wells have been completed on Occidental leases in this field, in which it has approximately 3000 undeveloped acres. Further development drilling will be commenced during the early part of 1965.

The discovery by Occidental of what may become an important new oil pool within the City of Los Angeles is indicated by data derived from a stratigraphic core hole drilled as part of the 1964 Occidental Petroleum Exploration Program. Occidental now has 424 acres under lease on what is believed to be the structure and leasing is continuing. The 1964 Program owns all of the working interest in such leases with Occidental's share being 61%. Leases carry a total royalty of 17.7%.

Dipmeter data from the core hole and regional considerations indicate that the leased acreage is located on the same asymmetric east-plunging anticline as is the Beverly Hills Oil Field. A producing well in the field lies 2,500 feet west of the Occidental core hole. The eastern limits of the field have not been defined. The oil bearing sands found in the core hole are of Upper Miocene age. Beds of the same age produce in the Beverly Hills Field. Subsurface pressure information indicates that the core hole is separated from the above mentioned producing well on the west by a fault and that the core hole is bottomed in a virgin oil reservoir.

Restrictions imposed by the City of Los Angeles on core hole drilling preclude open hole drill stem testing; therefore, a large quantity of formation fluid and a directly measured flow rate could not be obtained. However, drilling returns were continuously analyzed for oil and gas content and lithologic samples. Determinations as to the porosity, permeability and oil and water saturation have been made from calculations based on measurement of reservoir properties by the induction-electric log, sonic log, microlog and core analyses of 46 sand side-wall cores. Integration of these data indicate approximately 500 net feet of oil-saturated sand to be present in the core hole between the measured depths of 5,500 feet and 7,000 feet. Based on all factors, it is believed that this sand will produce oil on a commercial basis although reliable estimates of the size and areal extent of the indicated new discovery cannot be made at this time.

Based on core analysis data, the oil contained in this discovery is 29° API gravity. Estimated gas-oil ratio is 750 cubic feet of gas per barrel. Production of oil in any quantity is not expected to commence before the second half of 1965.

Upon completion of the leasing program, an application will be made to the City of Los Angeles for permission to form so-called drilling districts. Although surface area of the mineral leases is presently occupied by buildings, they are not high-rise buildings and their removal for purposes of installing a drill site will not be precluded. If approval of the formation of such drilling districts is obtained, permanent fenced and landscaped drill sites will be installed from which development wells will be directionally drilled to exploit the hydrocarbons.

Deeper oil sand possibilities on the land block have not been tested to the present time but such sands are productive in the adjoining field.

Oil and Gas Exploration Programs

Since 1959, Occidental has periodically undertaken oil and gas exploration programs. These programs have been conducted as joint ventures by Occidental and other persons, with the latter contributing the greater portion of the funds devoted to such programs. Virtually all of Occidental's primary reserves and a substantial portion of its secondary reserves of oil and gas in the United States have been discovered as a result of these exploration programs. The 1963 program provided $6,000,000 for exploration of which Occidental itself contributed $1,915,000 as a Participant and the 1964 program provided $6,500,000 for exploration of which Occidental contributed $2,710,000. In the 1963-64 programs Occidental earned a one-third carried interest which, together with its interest as a Participant, resulted in it having more than a 50% interest in all properties acquired through such programs.

Reserves

The following table sets forth in summary form the estimate of Occidental's engineers as to Occidental's crude oil (including condensate), natural gas liquids, and natural gas reserves as of September 30, 1964. The properties containing the estimated reserves are producing by both primary and secondary methods of production (including thermal methods). Reserves from such properties attributable to the account of royalty owners, carved-out production payments, and the interests of others are excluded. The estimate has been computed on the basis of observed and predictable response rather than on a percentage recovery factor. Several potential thermal recovery properties which have tremendous volumes of oil in place had not yet been produced under thermal methods by September 30, 1964 and therefore no reserves were credited to such properties.

SUMMARY OF OIL AND NATURAL GAS RESERVES AS OF SEPTEMBER 30, 1964(1)

PROVED RESERVES — TOTAL	Proved Developed	Proved Undeveloped
Oil (Bbls.)	11,320,000	2,760,000
Natural Gas Liquids (Bbls.)	1,985,000	90,000
Natural Gas (Mcf)	561,200,000	11,950,000

PROVED RESERVES BY CATEGORIES

		Proved Developed		Proved Undeveloped	
	Price Range	Primary Reserves	Secondary Reserves	Primary Reserves	Secondary Reserves
OIL	$/Bbl.	Bbls.	Bbls.	Bbls.	Bbls.
API Gravity 10-17°	1.27-2.08	615,000	5,490,000(2)	— 0 —	2,645,000(2)
API Gravity 18-23°	2.35-2.37	125,000	— 0 —	— 0 —	— 0 —
API Gravity 28° and above (including condensate)	2.35-3.36	4,755,000	335,000	115,000	— 0 —
TOTAL OIL		5,495,000	5,825,000	115,000	2,645,000
NATURAL GAS LIQUIDS	$/Bbl.	Bbls.	Bbls.	Bbls.	Bbls.
Propane and Butane	1.17-1.56	1,985,000	— 0 —	90,000	— 0 —
NATURAL GAS	$/Mcf	Mcf	Mcf	Mcf	Mcf
	Below 0.13	6,765,000	— 0 —	6,250,000	— 0 —
	0.13-0.23	192,405,000	— 0 —	— 0 —	— 0 —
	0.24-0.30	324,740,000	— 0 —	— 0 —	— 0 —
	0.32	37,290,000	— 0 —	5,700,000	— 0 —
TOTAL GAS		561,200,000	— 0 —	11,950,000	— 0 —

(1) Includes Occidental's net share (approximately 69%) of reserves attributable to Petrochemicals' net share of oil, natural gas and natural gas liquids reserves in the Calgary Field, Alberta, Canada.

(2) Reserves to be recovered by the steam soaking method are based on the amount of oil which will be produced in five cycles of steaming only, and it is the opinion of Occidental's engineers that this is a very conservative estimate. No reserves have been included where such reserves will be recovered by the *in situ* combustion method because of Occidental's relatively short experience with this method.

Of the oil reserves (including condensate) set forth above, approximately 67 percent are in California, 18 percent in Canada, and 15 percent elsewhere in the United States. All of the natural gas liquids reserves are in Canada. Approximately 64 percent of the natural gas reserves are in California, 31 percent are in Canada, and 5 percent are elsewhere in the United States.

None of the reserves attributable to carved-out production payments are included in the above table of Reserves. (See "Carved-Out Production Payments".)

Carved-Out Production Payments

A portion of Occidental's reserves were sold, or were reserved by the former owners in certain property acquisitions, under carved-out production payments which require delivery of gas and oil, as and if produced, to liquidate the principal sums, plus interest payments where applicable. The following table sets forth the pertinent information with respect to the carved-out production payments unliquidated at September 30, 1964.

SUMMARY OF CARVED-OUT PRODUCTION PAYMENTS UNLIQUIDATED AT SEPTEMBER 30, 1964

Area and Field	Principal Sum at 9-30-64	Payment For September, 1964 Production	Interest Rate %/Yr.	Plan of liquidation of principal sum	Estimated Year of Liquidation
CALIFORNIA					
Arbuckle Gas	$ 118,100	$18,694	5.25	90% of Occidental's share of future production accrues to the payment until principal sum, plus interest on decreasing balance, is liquidated.	1965
Kern River Oil	18,448 bbls.	60 bbls.	None	Specified amount of oil delivered monthly, based on estimated decline of primary production, so that all primary oil from the property is delivered to the payment.	1984
	179,898 bbls.	1,204 bbls.	None	As above.	1983
	$ 15,000	None	None	2.5% of Occidental's share of future secondary oil from the property until principal sum is liquidated.	1965
Lathrop Gas	$5,171,521	$25,858	6.00	Commencing with production after 1-1-65, 14% of Occidental's future production from the field accrues to the payment until principal sum, plus interest on decreasing balance is liquidated. All payments to date have been on interest only.	1970
	$5,030,116	$25,151	6.00	As above except percentage is 15% and commences 1-1-66.	1971
	$5,028,023	$25,140	6.00	As above except percentage is 16.5% and commences 1-1-67.	1972
	$ 445,604	$ 2,160	6.00	0.85% of Occidental's share of future production from Lathrop Field wells accrues to the payment until principal sum, plus interest on decreasing balance, is liquidated.	1972
McMullin Ranch Gas	$ 539,789	$18,598	5.25	82% of Occidental's share of future production from 5 wells accrues to the payment until principal sum, plus interest on decreasing balance, is liquidated.	1969
TEXAS & LOUISIANA					
Various Oil & Gas	See Note 1		None	1% of Occidental's share of future production from 52 wells accrues to the payment until principal sum is liquidated.	Probably will not occur.
	$ 102,674	$14,205	6.00	35% of Occidental's share of future production from 36 wells accrues to the payment until principal sum, plus interest on decreasing balance, is liquidated.	1965
	$ 381,990	$ 2,029	6.00	5% of Occidental's share of future production from 36 wells accrues to the payment until principal sum, plus interest on decreasing balance, is liquidated. When the immediately preceding production payment is liquidated, 40% will accrue hereon.	1967

Note 1. Original principal sum was $250,000. The unliquidated balance after September, 1964 production and payment for September, 1964 production is unavailable for this table because payments of monthly sums are made directly by crude oil and natural gas purchasers to the holder of the production payment. It is the opinion of Occidental's engineers that the properties subject to the payment will be abandoned prior to liquidation of the payment.

Marketing

Most of the crude oil produced from wells in which Occidental has an interest is marketed under short-term contracts at posted field prices.

Most of Occidental's natural gas production is sold under long-term contracts with the initial prices, and in some cases, price escalation or redetermination provisions, having been established through negotiation. All natural gas produced by Occidental for its account in the Lathrop Gas Field is sold to Pacific Gas and Electric Company under a sales contract which guarantees payment for daily delivery of 1/365th of 1/18th of the reserves remaining on January 1, 1965 over the following eighteen years. Occidental's rights under this contract have been assigned as additional security for certain long term borrowing under an agreement which provides that 85% of Occidental's interest (after application of production to carved-out production payments discussed below) in the gas sale proceeds are to be applied to repayment of the borrowing. (See Note 7(c) to Financial Statements of Occidental and Subsidiaries Consolidated.) A portion of the Lathrop Gas is sold for the account of the holders of four carved-out production payments (see "Carved-out Production Payments" just preceding). During 1964, approximately 38.7 per cent of Occidental's net share of Lathrop production was sold to satisfy the interest only on such carved-out production payments, and liquidation of principal sums will commence with gas produced after January 1, 1965. It is estimated that the net share of Occidental's production to be sold for the account of the production payment holders to satisfy interest payments and liquidation of principal sums will be as follows: in 1965, approximately 27.3%; in 1966, approximately 36.1%; in 1967 through 1970, approximately 46.4%; in 1971, approximately 32.4%; in 1972, approximately 17.4%; and in 1973, none.

A portion of Occidental's share of the gas produced from the McMullin Ranch Field near Stockton, California, is sold to California Ammonia Co., for use in manufacturing anhydrous ammonia (See "Fertilizers and Agricultural Chemicals" herein). Occidental's share of the gas from the Calgary Field, Alberta, Canada, is sold to Petrogas Processing, Ltd., an Alberta corporation in which Petrochemicals owns 31% of the outstanding shares. Payment for such gas deliveries is based on the price received by Petrogas for commercial pipeline gas, sulphur, and other plant products, after deduction of a processing charge.

Undeveloped Properties

At September 30, 1964, Occidental owned interests in oil and gas leases not held by oil or gas production in various sedimentary basins in fourteen states which interests were equivalent to 100% of the working interest in 358,944 acres. In the provinces of Alberta and Saskatchewan, Canada, Occidental's share of leased acreage not held by production was equivalent to 20,815 net acres at September 30, 1964.

Regulation

The oil and gas industry is subject to both state and federal specific legislation and administrative regulation which to a considerable extent regulate and control its activities. The operations and earnings of Occidental may be affected from time to time to an unpredictable extent by the limitations imposed by the laws and regulations, now or hereafter in effect, of the states in which its business is carried on, including those providing for conservation, proration, curtailment or other forms of limiting or controlling production. The maximum allowable production of oil and natural gas from wells in some of the states in which Occidental operates is limited to amounts which are fixed at periodic intervals by regulatory authorities in such states. In Alberta, Canada, where Occidental's principal Canadian assets are located, the oil and gas industry is subject to comprehensive regulation. In California, where Occidental's principal gas and oil producing wells are located, no such limitations exist other than prohibitions against unreasonable waste. Approximately 31% of Occidental's oil reserves, 35% of its gas reserves and all of its natural gas liquids reserves are subject to production curtailment.

Fertilizers and Agricultural Chemicals

Occidental manufactures commercial fertilizers, agricultural and other heavy chemicals, fungicides, and pesticides in California and Texas and markets these products under the name "Best

Fertilizers" in California, Oregon, Nevada, Arizona, Texas, Louisiana, Oklahoma, and Kansas. These products are marketed through Occidental's own sales organization and through independent and partly owned distributors in farming and agricultural areas. They are also marketed, together with pesticides manufactured by others and packaged under the name "Best Fertilizers", through distributors and retail outlets to individual consumers for home and institutional garden and lawn uses. Combined sales from these operations during the first nine months of 1964 were $20,625,450.

Balanced fertilizers contain three basic nutrients: nitrogen, phosphorus and potassium. Nitrogen is available in the form of ammonia or urea. Phosphorus is avaliable in the form of phosphoric acid, a derivative of phosphate rock (see "Phosphates"). Potassium is a derivative of potash. In addition, sulphur is an essential basic element used in the manufacture of commercial fertilizer and agricultural chemicals (see "Sulphur") and is used in the beneficiation of phosphate rock (see "Phosphates"). Occidental has reserves of each of the foregoing materials, except for potash. Occidental believes the supply of potash available for purchase is and will continue to be adequate for its needs. Occidental also purchases all of its requirements of phosphate rock at the present time (see "Phosphates").

Occidental owns 126 acres of industrial property at Lathrop, California, on which it owns and operates modern fertilizer and agricultural manufacturing, packaging and warehousing facilities and executive offices in a complex of buildings covering more than 250,000 square feet, including an anhydrous ammonia plant owned by Occidental's consolidated subsidiary, California Ammonia Co., a marketing corporation operating on a co-operative basis having approximately 1,300 farmer-shareholders in addition to Occidental which owns a 53% interest. The anhydrous ammonia plant has a capacity of 300 tons per day, one-half of which is sold either as anhydrous or as aqua ammonia and one-half of which is used as raw material in the manufacture of fertilizers. The ammonia plant is operated and managed by Occidental for cost, including natural gas sold to California Ammonia Co. by Occidental, plus a management fee of $1 per ton of ammonia produced. The complex also includes facilities capable of producing 700 tons per day of sulphuric acid, 250 tons per day of ammonium sulfate, 60 tons of urea, 200 tons per day of superphosphate and 130 tons per day of phosphoric acid. The facility includes a phosphate rock grinding plant capable of grinding 400 tons of phosphate rock per day. A substantial part of the production from the foregoing facilities is used as raw material for a 300 ton per day pelleted fertilizer plant and a 100 ton per day liquid mix fertilizer plant contained in the facility. The plant facility also contains an agricultural chemical facility, including a plant for the production of nematocides which was completed in 1964. California Ammonia Co. is expanding its storage capacity for anhydrous ammonia from 7,000 tons to 22,000 tons. Such additional storage will permit year-round ammonia production at or near capacity despite the fact that sales are seasonal.

Occidental owns and operates approximately 121,500 square feet of office, warehouse, manufacturing, and packaging facilities at Houston, Texas, on three acres of leased industrial property and seven acres of industrial property owned by Occidental, one and one-quarter miles apart. The manufacturing facility is capable of producing 200 tons of ammonium sulphate per day and 200 tons of either superphosphate or pelleted fertilizers per day. These facilities are producing at full capacity.

An additional facility containing a manufacturing plant covering approximately 53,600 square feet and approximately 96,900 square feet of warehouse and storage space is located on 119 acres of industrial property owned by Occidental near Plainview, Texas. This facility is capable of producing 150 tons per day of anhydrous ammonia and 300 tons per day of sulphuric acid. Except for approximately one-half of the anhydrous ammonia which is sold as such, the sulphuric acid and anhydrous ammonia produced at this facility is used at the facility in the manufacture of fertilizers. The plant is capable of producing 240 tons per day of pelleted fertilizers, 200 tons per day of ammonium sulphate and 200 tons per day of superphosphate. This facility is presently operating at approximately 80% of capacity.

Sulphur and Other Chemicals

Occidental, through its wholly owned subsidiary Jefferson Lake Sulphur Company, produces elemental sulphur and manufactures cresylic acid (phenols, cresols and xylenols) and sodium sulphide. Cresylic acid and sodium sulphide are sold direct to users for use in oil refining and ore flotation, and in the manufacture of plastics, cleaning compounds, chemical intermediates, and tri-cresyl-phosphate (TCP), an important additive to gasoline. Occidental produces sulphur by the Frasch (hot water) Process from its 1,200 acre leasehold at Long Point Dome, Texas, which has a present reserve estimated at approximately 2,800,000 long tons and where annual production has averaged some 240,000 long tons during the past three years. There have been no recent material changes in mining conditions and none are anticipated in the foreseeable future. These reserves are held under an agreement which provides for payment of a royalty equal to the greater of 50% of the annual net profits (as defined) from the operations of Long Point Dome or $2 per long ton of sulphur produced therefrom. During 1964 a $2,000,000 carved out production payment from the Long Point Dome was sold by Occidental (see Note 5(b) to Financial Statements of Occidental and Subsidiaries Consolidated). The agreement requires continuity of operations at Long Point Dome. The Long Point Dome plant is presently operating at full water capacity. Sulphur is also produced at the rate of approximately 21,000 tons per year from sour gas in the plant of the Trans-Jeff Chemical Corporation ("Trans-Jeff") at Tilden, Texas. Occidental owns 50% of the outstanding capital stock of Trans-Jeff.

Through Petrochemicals, Occidental also produces sulphur from sour gas in extraction plants located in Alberta and British Columbia, Canada at the rate of approximately 350,000 long tons per year, of which 183,000 long tons are produced for its own account.

Occidental's production and sales of sulphur, cresylic acid, and sodium sulphide (including its 69% share of Petrochemicals' production and sales and its 50% share of Trans-Jeff's production and sales) have been:

PRODUCTION

	Sulphur (Long Tons)	Cresylic Acid Products (Pounds)	Sodium Sulphide (Short Tons)
1959	346,871	10,450,885	828
1960	368,579	16,933,864	732
1961	268,341	19,340,830	611
1962	366,630	23,765,436	663
1963	363,742	23,996,699	3,203
1964 (9 mos.)	295,745(1)	16,067,382	2,577

SALES

	Sulphur	Cresylic Acid Products	Sodium Sulphide	Totals
1959	$7,499,151	$1,405,949	$ 79,247	$8,984,347
1960	6,708,260	2,038,789	52,533	8,799,582
1961	5,800,844	2,576,577	31,450	8,408,871
1962	6,021,757	2,467,529	31,314	8,520,600
1963	5,997,300	2,104,917	150,111	8,252,328
1964 (9 mos.)	5,242,775(1)	2,075,779	134,596	7,453,150

(1) Excludes $2 per long ton received for the account of holder of sulphur production payment. See Note 5 of Notes to Financial Statements of Occidental and Subsidiaries Consolidated.

During the past several years, a greater increase in supply than demand for sulphur resulted in depressed sulphur prices. Supply of and demand for sulphur now appear to be in balance and during the second and third quarters of 1964 prices have stabilized with price increases of $2 per ton on all new contracts having been announced by most sulphur producers, including Occidental. An additional $2.50 per ton price increase for sulphur in the export market was announced by Sulphur Export Corporation (see next paragraph), effective December 1, 1964. The following statistics are based on Occidental's records as to prices received by it:

	1959	1960	1961	1962	1963	1964 (9 mos.)
Average price per long ton in United States Market, F.O.B. mines	$22.00	$21.30	$21.50	$20.48	$21.32	$20.92
Average price per long ton in export market, F.O.B. vessels, Galveston	$23.28	$21.00	$21.00	$19.78	$19.35	$20.30
Average price per long ton for Canadian sulphur F.O.B. Canadian plant (Canadian dollars)	$15.87	$13.89	$13.39	$13.37	$10.12	$10.15

Occidental markets sulphur, cresylic acid, and sodium sulphide through its own sales organizations in the United States and Canada. Most of its United States sulphur production is sold in export. These sales are handled by Sulphur Export Corporation, a corporation which is owned by the four major United States Frasch Process sulphur producers (including Occidental). Sales are allocated among shareholders by agreement, Occidental's share currently being 16%. The agreement precludes Occidental from making other arrangements for the sale of its domestic sulphur production in export markets. Canadian sulphur production is sold in Canada, Alaska, and the midwestern and western area of the United States and in export through Cansulex Limited, a sales corporation owned by several Canadian sulphur producers, including Petrochemicals. At the present time no material part of Occidental's sulphur production is retained for its own operations.

Phosphates

In September, 1964, International Ore & Fertilizer Corporation ("Interore"), a wholly owned subsidiary of Occidental, purchased such mineable reserve of phosphate rock as may lie in and under a 5,300 acre tract of land in Hamilton County, Florida. The property, now known as the Suwannee River Mine was acquired from a corporation not affiliated with Occidental or any of its subsidiaries under an agreement which provides for a total purchase price of not less than $4,500,000 payable at the rate of 40¢ per ton of phosphate rock mined (subject to adjustment for Bone Phosphate of Lime ("BPL") content) or $300,000 per year, whichever is greater. (See Note 3 to Financial Statements of International Ore & Fertilizer Corporation and Consolidated Subsidiaries.) Interore mortgaged the phosphate rock purchased to the seller to secure performance of the purchase agreement and Occidental has guaranteed Interore's performance thereunder. Interore has leased the Suwannee River Mine property to Occidental Corporation of Florida (Occidental of Florida), another wholly-owned subsidiary of Occidental, for a term of 20 years with options to renew the lease for 40 one-year terms thereafter.

In the exploration of the Suwannee River Mine, some 609 prospect holes were drilled on approximately 7,380 acres in a systematic pattern. Of these holes, 369 were drilled, prior to Occidental's

interest in this property, by two experienced concerns investigating the mining possibility of the property. Following this prior drilling Occidental did sufficient check drilling to satisfy itself as to the accuracy of results reported from such drilling. Occidental drilled 209 additional prospect holes within the most favorable area, consisting of 3,890 acres. The prospecting drill pattern of approximately one hole per ten acres is not sufficient to prove the tonnage and grade of recoverable phosphate and to establish other economic factors essential to a complete evaluation of the commercial mineability of the deposit. However, since the drilling shows unusually uniform results, Occidental has decided to proceed with plant construction and to engage in mining and milling activities. In view of this, only the actual mining, milling, and recovery of the phosphate will determine the economics of the operation.

On the basis of the drilling done, tonnage indicated and grade of recoverable phosphate rock, there are approximately 29 million net tons averaging 72.5% BPL. On the same basis, the ratio of matrix to recoverable phosphate rock is 4.25 tons of matrix per ton of phosphate rock and the ratio of matrix to over-burden is one-to-one.

A non-profit corporation organized to promote industrial development in Hamilton County is presently constructing, under Occidental of Florida's supervision, a beneficiation plant at the mine site and has agreed to a long-term lease of the plant to Occidental of Florida. The plant is scheduled to be in operation in late 1965 and has a projected capacity to produce in excess of one million tons of beneficiated phosphate rock per year. Occidental of Florida plans to mine the phosphate rock deposit, beneficiate the phosphate rock deposit recovered and, if adequate port facilities are made available, utilize the port of Jacksonville, Florida, for shipments to the eastern United States, Canada, and Europe. Negotiations for such port facilities are currently under way. If such facilities do not become available, the port of Tampa, Florida will be utilized. It is presently contemplated that most phosphate rock produced at the Suwannee River Mine will be sold to customers other than subsidiaries of Occidental. A small portion of such production may be used by the Best Fertilizers Company, at Houston, Texas, in the manufacture of phosphatic fertilizers. Phosphate rock produced at the Suwannee River Mine will be sold in the European market in competition with phosphate rock having similar qualities produced by other Florida producers and produced in North and West Africa. The demand for phosphate rock of this quality presently exceeds the available production and all price adjustments during the past three years have been upward. However, there is no factual assurance at this time that demand will continue to exceed supply or that there will be an outlet for all, or a large part, of the planned production.

Occidental also has an option, exercisable at any time prior to September, 1969, to purchase such reserves of economically mineable phosphate rock as may be found in and under a 24,839 acre tract of land contiguous to the Suwannee River Mine property. Exploratory core hole drilling and testing during recent years indicates the presence of recoverable phosphate rock under this property; however, such exploratory drilling has not been sufficient to estimate the extent or economic feasibility of mining any of such phosphate rock. Occidental expects to commence extended exploratory drilling and testing of the property soon and it is believed that adequate drilling and testing may take 2 years to complete.

Phosphoric acid (54% P_2O_5*) is produced from phosphate rock and provides the source of nutrient phosphorus, one of the ingredients of a balanced fertilizer. Since it is a very corrosive and difficult-to-handle material, industry practice has been to ship phosphate rock to a marketing area, where the acid is made and converted to fertilizer products. Occidental, through a British company, Nordac Ltd., has

* P_2O_5 is the chemical symbol for phosphoric pentoxide. One unit of P_2O_5 is the equivalent of 2.185 units of BPL.

acquired a process for the manufacture of "superphosphoric acid" (68% or more concentrate of P_2O_5). Early in 1964, a ten ton per day pilot plant was constructed and operated in Uxbridge, England, which successfully produced superphosphoric acid by the new process. Occidental has recently constructed a superphosphoric acid plant in Lakeland, Florida. This plant came on stream in November, 1964 and is presently producing superphosphoric acid having a concentration of approximately 80% P_2O_5 at the rate of 90 tons per day. Based on the results of operations of this plant, it is Occidental's opinion that it is feasible to construct a larger plant for the production of superphosphoric acid having such concentration by the Occidental-Nordac process.

Superphosphoric acid contains greater quantities of phosphorus per given weight of acid than does phosphoric acid, is much less corrosive than phosphoric acid and does not sludge out during storage and transportation as does phosphoric acid. Occidental believes that it will be able to produce superphosphoric acid and ship it to various plants for conversion to fertilizer products. Thus, substantial freight savings over the present practice of shipping rock to such plants would result.

Occidental plans to construct a phosphate chemicals complex in Florida. It is presently contemplated that the planned complex will be located in Hamilton County, near the Suwannee River Mine or in Central Florida at a site within reasonable proximity to local sources of low-grade phosphate rock and phosphoric acid (54% P_2O_5). The location of the complex will be determined upon completion of feasibility studies presently being conducted by Occidental. The planned complex will embrace modern facilities for the manufacture of the following products:

Product	Planned Capacity (Tons per Year)
Superphosphoric Acid	65,500
Triple superphosphate	100,000
Ammonium Polyphosphate	54,500
High Analysis Fertilizers	182,000

Production of superphosphoric acid will be shipped to customers through Jacksonville port facilities as discussed above. Triple superphosphate, ammonium polyphosphate and high analysis fertilizers produced at the planned facilities will be sold primarily in export through its subsidiary, Interore (see "International Operations" herein).

It is estimated that construction of the phosphate chemicals complex, including site and transportation facilities, will cost $25,000,000. Occidental plans to use approximately $12,500,000 of the proceeds from the sale of the Capital Stock to pay for such construction costs. The remainder of construction costs will come from additional long term borrowing, unless Occidental is able to obtain such funds from industry sources through partnerships or joint venture arrangements. Occidental presently has no arrangements, agreements or understandings with respect to the source of such additional long-term borrowing. Management believes that, however, sources for such borrowing are available to Occidental at reasonable interest rates. If such additional funds are obtained from industry sources, Occidental will own at least 50% of the phosphate chemical complex.

See also "Litigation."

International Operations

Occidental, through its wholly owned subsidiary International Ore & Fertilizer Corporation and such corporation's subsidiaries and affiliates (herein referred to collectively as "Interore"), is engaged in merchandising fertilizers and fertilizer raw materials, principally purchased from producers other than

Occidental, primarily outside of the United States. Interore functions primarily as a dealer in fertilizers and fertilizer raw materials and only occasionally as a broker. Interore deals in fertilizers and fertilizer raw materials in most of the free world's fertilizer producing and consuming countries and has local offices in 23 countries. The major marketing areas of Interore together with the approximate percent of its sales in each such area during the three years ended December 31, 1963 and the first nine months of 1964, are as follows:

	1961	1962	1963	1964 (9 Mo.)
Asia	68%	74%	45%	49%
Australia and New Zealand	2	2	7	9
Europe	17	9	15	8
Africa	1	1	3	7
North America	8	6	15	10
South and Central America	4	8	15	17

Interore succeeded to a business commenced in 1949, which followed the accounting practice of charging off to expense all of its research and development costs, including expenditures on industrial projects either in the process of development or recently ready for operation. Interore's predecessor had net profits in every year of its operation except 1963 when its project development costs were heaviest. The dollar volume of sales declined in 1963 as compared to 1962 primarily as a result of depressed prices in the world markets for nitrogenous fertilizers and potash and the elimination in early 1963 of the United States government nitrogen aid program to Korea. For the foregoing reasons and because of start-up and development cost with respect to new projects, a net loss occurred during 1963. Net sales and net income (loss) of Interore and its corporate predecessor for the past five fiscal years are as follows:

Fiscal Year Ended August 31	Sales Including Commissions	Net Income (Loss)
1960	$40,287,000	$129,333
1961	47,396,025	167,740
1962	64,385,428	78,559
1963	56,733,714	(331,560)
1964	78,844,693	377,837

Occidental has entered into a joint venture with Nicaraguan agricultural interests for the construction of a fertilizer mixing plant at Corinto, Nicaragua, a port city approximately 90 miles from Managua. The raw materials required by this facility are presently available for purchase in the world market, but no significant part thereof are produced in close proximity to proposed facility. It is anticipated that the plant and related facilities, together with the working capital needed in the initial stages, will require an investment by Occidental of approximately $500,000. Occidental has been awarded pioneer rights in Singapore (which permit the operation of a concession for five years without payment of taxes) pursuant to which it is contemplating the construction of facilities for grinding phosphate rock and granulating and mixing fertilizers. A company in which Occidental has a 50% interest has entered into a joint venture in Turkey for the production and sale of sodium sulphate at an anticipated rate of 50,000 tons per annum. Occidental expects to have a $200,000 investment in this venture. Occidental is conducting feasibility studies in Singapore, Venezuela and Saudi Arabia, but has not commenced construction of facilities in these locations, and all future commitments are

dependent upon the results of such studies. The Singapore and Venezuelan studies are concerned with the feasibility of constructing fertilizer mixing plants in those countries to market mixed fertilizer products on a local basis. By virtue of an agreement signed on December 14, 1964, the Kingdom of Saudi Arabia and Occidental are to jointly conduct a study on the feasibility of constructing a $20,000,000 ammonia plant at Dammam, Saudi Arabia. The funds for the construction and operation of the plant are to come entirely from the Saudi Arabian government with Occidental receiving 10% of any profits of the plant for its management effort, as well as 5% of the selling price of the output therefrom for its selling effort. If the plant is deemed feasible Occidental will be required to purchase all the output therefrom not consumed in Saudi Arabia at world prices less 5%. Saudia Arabia may not consume locally more than 16% of the output. In the event that Occidental and the Arabian government cannot agree on the feasibility of the plant, the matter must be brought to arbitration before the International Chamber of Commerce in Lausanne, Switzerland. The feasibility study is expected to commence in January, 1965 and must be completed prior to May 14, 1965, unless changed by mutual agreement.

Occidental has entered into an agreement with the Office Cherifien des Phosphates ("OCP"), an agency of the Kingdom of Morocco, under which Occidental has conducted a preliminary feasibility study for the construction and operation of a chemical-fertilizer complex in Morocco. The feasibility study, which has been completed and submitted to OCP for review, indicates the feasibility of constructing and operating a 1,000 ton per day high concentrate superphosphoric acid (approximately 80% P_2O_5) plant to be located on a site with reasonable access to deep water port facilities. Such a site has not as yet been selected or recommended. Occidental's feasibility study indicates total capital requirements of $51,000,000 of which $37,500,000 will be needed for plant construction, storage and transportation facilities and $13,500,000 will be needed for working capital.

If OCP approves Occidental's feasibility study, a corporation ("Moroxy") will be formed under Moroccan law and Occidental and OCP will each subscribe to one-half of an initial $1,000,000 capitalization of Moroxy. Moroxy will be formed, however, only in the event that each party deems the results of the feasibility study to be in its interest and upon Occidental's obtaining for Moroxy prior to June 30, 1965, from sources other than Morocco, the remainder of capital funds required (approximately $50,000,000). Occidental has not determined the source of such additional funds and if financing is not obtained the agreement with OCP will terminate with no further obligation on Occidental's or OCP's part. If such financing is obtained, Moroxy will proceed, under Occidental's supervision, with the engineering, construction and operation of the complex.

If the contemplated complex is constructed, OCP has agreed to supply all of the plant requirements of phosphate rock from mines located in Morocco. Such phosphate rock will be delivered at the plant site at the lowest price paid by European Economic Community customers for phosphate rock of the same quality. The agreement also provides for reciprocal rights to participate in subsequent ventures for the production of high concentrate superphosphoric acid.

Residential Construction

Occidental, through its wholly owned subsidiary S. V. Hunsaker & Sons, Inc., ("Hunsaker"), is engaged in the construction and sale of multiple and single family dwellings, including condominium dwellings*, primarily in Southern California.

---

* Condominium dwellings are similar to cooperative dwellings, except that each dwelling unit is individually owned and the common areas of the building and adjacent grounds are owned in common. This facilitates financing by mortgaging individual units and frees each unit owner from the lien of the mortgage obligation of other unit owners, in contrast to a cooperative dwelling building where the units are all owned by a corporation which mortgages the entire building and leases the individual dwellings to the tenant shareholders.

Hunsaker's inventory of land and residential units as of October 31, 1964 was:

Undeveloped Land			852 acres
Single Family Residential Units:			
Under Construction		268	
Completed		412	680
Multiple Family Dwellings:			
Condominium Residential Units:			
Under Construction		278	
Completed		—	278
Apartment Residential Units:			
Under Construction		61	
Completed			
Wholly owned	852		
50% owned (132 units)	66(net)	918(net)	979

Hunsaker's principal business consists of the development of residential real estate for single-family and multiple dwellings, including the acquisition of land, site development (clearing, grading, and construction of streets, sewers, utilities, and other improvements), design and construction of dwellings in a price range between approximately $17,000 and $31,000. Although Hunsaker has recently entered into the business of construction and sale of condominium residential units, it has completed no condominium projects. The following tables show the status as of October 31, 1964 of completed homes in projects in which unsold homes remained and units under construction (see also "Joint Ventures"):

Completed Projects

Name & Location	Size of Homes (Square Footage)	Sales Price Range	No. of Homes in Tract	No. of Homes sold prior to October 31, 1964	Unsold at October 31, 1964	Deposits Received or Esc. Opened Unsold Homes
Single Homes						
Sunshine Homes, Camarillo, Ventura Co.	1206-1365	$18,295 - $20,175	81	51	30	17
Sunshine Homes, Fountain Valley, Orange Co.	1363-1723	$23,050 - $27,350	86	22	64	11
Vendale Park, Ventura, Ventura Co.	1200-1450	$17,495 - $22,295	42	41	1	1
Sky Blue Homes, Newhall, Los Angeles Co.	1240-1399	$19,995 - $22,195	163	21	142	59
Sunshine Homes, La Verne, Los Angeles Co.	1200-1600	$17,975 - $19,795	32	2	30	4
Sunshine Homes, La Puente, Los Angeles Co.	1200-1365	$16,645 - $18,545	68	60	8	5
Sunshine Homes, West Covina, Los Angeles Co.	1206-1401	$18,600 - $22,195	118	23	95	32
Sunshine Homes, Charter Oak, Los Angeles Co.	1240-1365	$18,000 - $19,000	78	77	1	1
Sky Blue Homes, Newhall, Los Angeles Co.	1240-1408	$19,595 - $21,095	154	151	3	3
Sunshine Homes, Covina, Los Angeles Co.	1400-1780	$28,750 - $31,295	38	—	38	3
			860	448	412*	136

* Of the 412 homes remaining unsold at October 31, 1964, 305, with an aggregate sales price of approximately $6,562,000, had been completed less than six months and 107, with an aggregate sales price of approximately $2,426,000, had been completed between six months and one year.

Uncompleted Projects

Name & Location	Size of Units Square Footage	Proposed Sales Price Range	No. of Units	Date Sales Effort Commenced	Deposit Received or Escrow Opened Unsold Homes
Single Family					
Sunshine Homes, West Covina, Los Angeles Co.	1206-1401	\$20,195 - \$22,395	100	—	—
Sunshine Homes, Chatsworth, Los Angeles Co.	1642-1673	\$29,995 - \$31,500	36	October, 1964	1
Sunshine Homes, Lakewood, Los Angeles Co.	1250-1780	\$22,995 - \$26,195	132	July, 1964	81
Condominiums					
Sunshine Village Homes, Walnut, Los Angeles Co.	880-1384	\$15,995 - \$24,195	116	October, 1964	14
Sunshine Village Homes, Stanton, Orange Co.	880-1384	\$18,995 - \$24,495	103	—	—
Sunshine Village Homes, Ventura, Ventura Co.	880-1384	\$17,995 - \$22,495	59	—	—
			546		96

Prior to acquisition by Occidental, Hunsaker constructed and operated apartments for its own account. This was done principally to take advantage of certain Federal income tax consequences which accrue from their ownership and operation, such as depreciation. Subsequent to acquiring the assets of S. V. Hunsaker & Sons, Occidental analyzed the Federal income tax consequences of apartment operation in light of the consolidated Federal income tax returns to be filed by Occidental. Such analysis indicated that the Federal income tax consequences of apartment operation were neither necessary nor desirable to Occidental. At the present time, Hunsaker is completing the apartments they have under construction and are planning to dispose of their apartment houses through orderly sales thereof.

The following table shows the remaining number of apartment projects (one and two story buildings, frame and stucco construction) owned by Hunsaker at October 31, 1964:

Name, Location	No. of Units	Acreage	Monthly Rental Rate ____ to ____		% Occupancy at 10-31-64	Month Completed
Sales Recorded Prior to December 31, 1964 (100% owned)						
Park Central, La Habra, Orange County	60	4.5	\$129.50	\$154.50		
Fashion Lane, Fullerton, Orange County	72	6.0	132.50	155.00		
Hillside, La Habra, Orange County	38	1.5	105.00	155.00		
Fashion Lane, Northridge, Los Angeles County	68	6.0	149.00	174.00		
Fairway Park, Orange, Orange County	156	12.5	114.50	162.50		
Fashion Park, Rosemead, Los Angeles County	65	3.0	105.00	160.00		
Unsold at December 31						
Completed (100% owned)						
Orangewood West, Anaheim, Orange County	120	10.0	\$132.50	\$155.00	73%	Feb., 1964
Fashion Park, Fresno, Fresno County	41	3.0	149.50	184.50	70%	June, 1964
Fashion Gardens, Anaheim, Orange County	104	9.0	134.50	159.50	40%	Sept., 1964
The Stanton, Stanton, Orange County (1)	72	5.0	119.50	174.50	58%	Sept., 1964
The Clifton House, Anaheim, Orange County	56	4.0	137.50	170.50	30%	Oct., 1964
	852					
Completed (50% owned)						
College View, Fullerton, Orange County	132	12.0	\$134.00	\$159.00	59%	June, 1964
Under Construction (100% owned)						
Royal Lahaina, Chatsworth, Los Angeles County	61	3.0				

(1) Under construction loan at 7¼%; will be converted to conventional financing at not more than 6¾% within 60 days.

(2) Tax rates vary from \$8.50 to \$10.00 per \$100 assessed valuation.

(3) All apartments are rented on a month-to-month basis.

All of the above properties were encumbered at October 31, 1964 by first deeds of trust held by savings and loan associations as follows:

	Debt Secured (a)	Interest Rate	Annual Payment
Orangewood West, Anaheim	$1,155,667	6.5 %	$ 94,848
Orangewood West, Anaheim	179,468	6.5 %	14,880
Fashion Park, Fresno	477,800	6.75%	40,260
Park Central, La Habra	628,881 (b)	6.6 %	55,080
Fashion Lane, Fullerton	774,950 (b)	6.6 %	68,040
Hillside, La Habra	280,480 (b)	6.75%	24,360
Fashion Lane, Northridge	184,300 (b)	6.6 %	15,408
Fashion Lane, Northridge	603,524 (b)	6.6 %	50,076
Fairway Park, Orange	1,100,979 (b)	6.5 %	108,000
Fairway Park, Orange	620,435 (b)	6.5 %	51,828
Fashion Park, Rosemead	531,180 (b)	6.6 %	45,000
Fashion Gardens, Anaheim	745,000	6.75%	60,780
The Stanton, Stanton	1,183,500	6.6 %	98,484
The Clifton House, Anaheim	636,000	6.75%	52,740
College View, Fullerton	1,584,000	6.6 %	129,888
Royal Lahaina, Chatsworth	$ 605,000	6.6 %	$ 49,500

(a) As of October 31, 1964 a portion of the funds shown in this column had not been advanced by the lender. All amounts indicate the aggregate debt secured or to be secured. All first trust deeds amortize over a 25 year period.

(b) Purchaser substituted for Hunsaker as obligor under terms of sale recorded prior to December 31, 1964.

Some of the above properties were owned at October 31, 1964 subject to loans secured by second deeds of trust, as follows:

Secured By	Amount Due	Annual Payment	Interest Rate	Due Date
Orangewood West, Anaheim	$43,890	$ 5,400	10 %	8-15-1970
Orangewood West, Anaheim	22,981	4,455	10 %	11-13-1966
Fashion Lane, Fullerton	6,669 (1)	1,440	10 %	12- 1-1965
Hillside, La Habra	30,086 (1)	8,400	10 %	8-15-1966
Fashion Lane, Northridge	45,830 (1)	7,650	10 %	10-24-1966
Fairway Park, Orange	26,856 (1)	5,040	10 %	4-15-1967
Fairway Park, Orange	56,232 (1)	10,710	10 %	2-15-1967
Fashion Park, Rosemead	$98,787 (1)	$12,292	6.6%	4- 1-1968

(1) To be paid in full under terms of sale recorded prior to December 31, 1964.

In August 1964 Hunsaker sold two apartment complexes to SRS Investments, a partnership, consisting of S. V. Hunsaker, Sr., a director of Hunsaker, and Richard C. Hunsaker and S. V. Hunsaker, Jr., officers and directors of Hunsaker. Hunsaker's costs of these apartments (less depreciation aggregating $128,158) aggregated $1,667,468 and the aggregate sales price was $1,940,000, of which $617,000 was paid in cash. The balance was paid by the substitution of the purchaser as obligor under the first deeds of trust against such properties. In September, 1964, Hunsaker sold one apartment complex to SRS Investments. Hunsaker's cost of this apartment complex (less depreciation aggregating $41,702) aggregated $1,557,736, and the aggregate sales price was $1,773,272, of which $100,000 was paid in cash, and the balance was paid by a 6¼% $265,472 promissory note secured by a second deed of trust, due in monthly payments of $2,654, including principal and interest, through December 2, 1969 at which date the balance becomes due and payable. The purchaser was substituted as obligor under the first deed of trust against such property. In December of 1964, Hunsaker recorded the sale of six apartment complexes to Richard C. Hunsaker and S. V. Hunsaker, Jr. Hunsaker's cost (less depreciation in the amount of $385,314) amounted to $5,181,793 and the sales price was $6,011,701, of which $25,000

was paid in cash, and the balance was paid by a 6% $1,409,265 promissory note secured by a second deed of trust, payable in monthly installments as to interest only until January 1, 1968 and thereafter in monthly payments of $14,092, including principal and interest, through February 1, 1972, at which date the balance becomes due and payable. The purchaser was substituted as obligor under the first deeds of trust against such properties. In the foregoing sales of apartments to SRS Investments and Richard C. Hunsaker & S. V. Hunsaker, Jr., the sales prices were not less than independent appraisals made during the past seven months. Other apartments sold have been sold to unaffiliated persons.

Hunsaker's present policy is to restrict its acquisitions of land to property which it plans to develop within a short period of time, except for planned community developments which necessitate the acquisition of larger parcels of land and require a longer period for development. Planned community developments consist of parcels of land that will be developed as complete communities, including single family residences, apartments, sites for commercial, industrial, and recreation areas.

Hunsaker expects to continue to concentrate its construction activities in the counties of Los Angeles, Orange and Ventura, comprising a total area of 6,740 square miles. These counties have experienced substantial population and industrial growth in recent years.

The following table shows the estimated population growth* of the above counties for the period 1957 through 1964:

Year	Los Angeles County	Orange County	Ventura County
1957	5,613,000	516,000	165,000
1958	5,787,000	578,000	176,000
1959	5,927,000	643,000	188,000
1960	6,072,000	719,000	203,000
1961	6,238,000	798,000	218,000
1962	6,409,000	880,000	234,000
1963	6,591,000	968,000	258,000
1964	6,737,000	1,057,000	283,000

* California State Department of Finance, Financial and Population Research Section, Division of Budgets and Account, Sacramento 14, California.

No assurance can be given that the above indicated rate of population increase will continue, or that if it does Hunsaker will be in a position to benefit therefrom.

Hunsaker has also engaged in construction activity in Riverside, San Diego and Santa Barbara Counties, located within approximately 100 miles of downtown Los Angeles, and Santa Clara County, located approximately forty miles south of San Francisco. Neither the population growth nor economic conditions in any particular area can be predicted with sufficient certainty to avoid the possibility that Hunsaker will have a substantial number of unsold residences in any particular development or that residences in such development may be sold at a loss. However, Hunsaker has not been forced to reduce its proposed sales prices, to sell any homes at a loss, or to hold for a period of time deemed by management to be excessive a substantial unsold inventory of completed residences, in any development commenced by it during the past three years. See also "Competition."

From time to time the number of additional residential units which becomes available for occupancy in any particular area exceeds the demand for residences in that area.

While Hunsaker's diversification of construction activities in its area of operations reduces dependency upon economic conditions in any one locality, its operations may be markedly influenced by general economic conditions in the Southern California area.

As of December 31, 1964, Hunsaker was a party to the following joint venture agreements with unaffiliated persons:

Project and Location	Description and Purpose	S. V. Hunsaker & Sons, Inc. Share in Venture
"Millerton Lake Estates", County of Fresno, Calif., Agreement dated December 14, 1964	553 acres, consisting of 2 miles of shoreline on Millerton Lake, 12 miles from the City of Fresno, California. First phase to consist of developing 220 lots for sale on 123 acres of land. The second phase, subject to obtaining appropriate rezoning, will consist of approximately 350 view lots and 100 lots surrounding a proposed golf course. A third phase will consist of 23 presently zoned acres of commercial property suitable for a restaurant, motel and apartment complex. The first phase of construction will begin approximately March 1, 1965. Hunsaker intends to acquire all 553 acres of land prior to the first phase of development at a cost of approximately $270,000 cash and the assumption of a first mortgage in the amount of approximately $310,000. Hunsaker intends to spend an additional amount of approximately $80,000 in connection with the first phase of development and anticipates that all development costs of the first unit of 220 lots will be provided through the sale of improvement district bonds in the aggregate amount of approximately $1,650,000, which will be assumed by the buyers as lots are sold. Capital furnished by Hunsaker will be treated as a loan and repaid to Hunsaker prior to any distribution of profits to joint venturers. Development of the property is under Hunsaker's supervision and control.	70%
"Rose Park" Reno, Nevada, Agreement dated March 20, 1964	280 acres, currently to be developed as residential (both single family and multiple), commercial and industrial. The first phase of construction consisted of 52 homes with a sales price range of $20,995 to $22,995 and was completed prior to December 31, 1964. As of December 31, 1964 no sales had been recorded but deposits had been received with respect to 15 homes. Approximately 12 acres of the 280 acres were purchased for the first phase of construction. The 268 acres remaining are subject to options exercisable, as to designated parcels, over a period terminating in August, 1969 at a price of $5,500 per acre. Exercise of additional options and development of additional acreage is dependent upon the results of efforts to sell homes included in the first phase of construction. Hunsaker is obligated to secure construction financing, perform construction and supervise sales.	50%
"S. V. H. & L. C. Development Co." County of Riverside, Calif., Agreement dated July 10, 1964	1,280 acres, to be developed as residential (both single family and multiple), commercial, industrial and recreational development. Currently in planning stage. Approximately 146 acres is presently owned by the joint venture at a cost of $355,000. The joint venture has an option to purchase the remaining 1134 acres at a price of $2,825,000. Said option is exercisable over a ten year period. The joint venture will acquire the land under option only if the development is proceeding at a satisfactory rate and it is expected that additional funds, if any, will be provided by financial institutions and/or from the sale of improvement bonds. Hunsaker is obligated to secure financing and to supervise construction and sales.	50%

Project and Location	Description and Purchase	S. V. Hunsaker & Sons, Inc. Share in Venture
"College View" Fullerton, Calif., Agreement dated September 23, 1963	Tract 5120, Fullerton, Calif., 132 apartments constructed and currently being rented, 59% of which were occupied at October 31, 1964. Rental income covers substantially all of the cost of current operations. It is expected that if additional investment is required by Hunsaker, it will be nominal in nature.	50%

The following table shows the number of homes completed and the number sold by Hunsaker during the period indicated, and the number of homes held by Hunsaker for resale at the end of each period:

Fiscal Year Ended September 30	No. of Homes Completed	No. of New Homes Sold	No. of New Homes Completed and Unsold	Price Range of New Homes	No. of Repossessed Homes Sold	No. of Repossessed Homes Unsold at End of Period
1957	503	475	28	$11,500 - $13,000	17	5
1958	626	486	168	11,500 - 13,000	41	12
1959	677	845	none	12,750 - 14,000	101	21
1960	449	399	50	13,300 - 14,500	200	32
1961	667	602	115	14,000 - 17,000	133	48
1962	918	767	266	17,000 - 24,000	157	46
1963	1,012	918	360	17,000 - 24,000	216	105
1964	1,035	1,086	309	17,000 - 31,000	229	135*

* Of the 135 homes in repossession or in process of repossession at September 30, 1964, 25 homes with an average book value of $13,500 were rented on a month to month basis and had been repossessed within the last eighteen months. The remaining 110 homes with an average book value of $17,800 have been repossessed within the last six months.

During the twelve month period ended September 30, 1963 Hunsaker sold 52 apartment units at an average sales price of $15,000 per unit. During the twelve month period ended September 30, 1964 Hunsaker sold 640 apartment units at an average sales price of $13,000 per unit. No apartment sales were made during October, 1964 (See page 28 for sales subsequent to October 31, 1964 of apartment units owned by Hunsaker on that date). As of December 31, 1964 Hunsaker had not repossessed any apartment units.

In the past Hunsaker has been able to dispose of homes it has repossessed under terms of second trust deeds or conditional sales contracts. It is management's opinion that an adequate reserve has been set up to cover losses from repossessed homes and other doubtful accounts that might occur. As a result of repossession activities during the three years ended September 30, 1964, Hunsaker has sustained losses as set forth in the following table which are less than the original profit on such sales:

Twelve months ended September 30	Number of Repossessed Homes Sold	Average Loss Per Home Resold	Total
1962	157	$ 439	$ 68,923
1963	216	576	124,416
1964	229	1,493	341,897

The increase during 1964 in the average loss per home resold resulted from a change in the method of selling from conditional sales contracts to grant deeds, which require a longer period between repossession and resale in order to clear title.

In addition to undeveloped acreage owned by Hunsaker on September 30, 1964, Hunsaker had outstanding options on that date to purchase undeveloped acreage for considerations aggregating $7,680,000. In the subsequent period ending December 31, 1964 the following principal options were exercised:

Acreage	Location	Total Cost
22	Orange County	$ 855,000
87	Los Angeles County	811,000
203	Los Angeles County	1,190,000
312		$2,856,000

Cash paid with respect to the foregoing purchases totaled $824,000, with balances aggregating $2,032,000 due in instalments over a 4 year period at interest rates ranging from 6% to 6½%.

Five additional options were exercised at an aggregate cost of $1,817,000 and one option with a cost of $541,000 was cancelled. Hunsaker intends to utilize the land purchased for the construction of approximately 1,115 homes. As of December 31, 1964, Hunsaker had five options to purchase an aggregate of approximately 175 acres at an aggregate purchase price of approximately $2,466,000.

In a typical home-construction project, Hunsaker acquires unimproved tracts of land suitable for subdivision and housing. After approval by governmental authorities of tract development plans relating to streets, drainage, utilities, and other improvements, Hunsaker commences development of the property and construction of homes.

In connection with the construction of both single-family and multiple-unit dwellings, Hunsaker acts as general contractor. Its own employees perform concrete and carpentry work and Hunsaker subcontracts the balance of the work consisting, in the main, of plumbing, roofing, electrical, plastering and painting. Hunsaker subcontracts all work on off-site improvements (streets, sewers and water mains).

Hunsaker's carpenters and cement masons are employed on an hourly basis and the number varies according to the volume of construction. Hunsaker employs on a permanent basis approximately 50 supervisory, office and maintenance personnel. The carpenters, cement masons and certain of the maintenance personnel are members of labor unions. Collective bargaining agreements were executed in the summer of 1962 by the various trade unions representing employees of both Hunsaker and its subcontractors. The majority of these agreements are for a three-year term and contain various escalator provisions. Hunsaker estimates that the annual increases provided by these agreements will result in an increase in costs of less than ½ of 1% of the average sales price per home. Hunsaker has enjoyed good labor relations during the past five years.

Most homes constructed by Hunsaker are sold by its own sales department which consists of 20 full-time salesmen compensated on a commission basis and directed by a sales manager. Total sales commissions amount to less than 1% of gross sales. Hunsaker promotes the sale of its homes through local advertising and sales brochures, and maintains on-site model homes, for sales promotion. Sales efforts usually commence upon completion of model homes, which generally occurs approximately six to eight weeks before the balance of the development is ready for occupancy. A deposit ranging from $50 to $500 is generally required at the time a preliminary sales agreement is executed. In accordance with customary practice, Hunsaker conducts a credit investigation of each prospective buyer. Sales are recorded when the deed or contract of sale is executed, at which time the home is delivered to the purchaser.

Residential units in the past were sold by Hunsaker either under conditional sales contracts with only nominal down payments and with Hunsaker retaining title until the full price is paid, or by conventional sale with title being transferred to the purchaser. In the latter case, the down payment ranges between 1½% and 10% and approximately 80% of the purchase price is provided by a loan from a financing institution either to the purchaser or Hunsaker, secured by a first deed of trust. In substantially all cases the financing institution appraises the property, generally using an appraiser employed by such financing institution. Hunsaker has no other independent appraisal made of the property. The balance of the purchase price is usually paid by delivery to Hunsaker of a note secured by a second deed of trust. In such cases virtually all of Hunsaker's profit, and in most cases a portion

of its costs of construction, is represented by the notes secured by second deeds of trust. The second deeds of trust presently being taken back by Hunsaker from its sales carry an interest rate of approximately 6.6% with monthly payments averaging 7/10th of 1% of the original amount of the note, with a substantial portion of the principal amount of the note falling due at the end of 5 years. Of the $4,661,847 carried in second deeds of trust at September 30, 1964, it is estimated that $478,000 will be amortized during the life of the note and that $4,183,847 will fall due on the maturity dates of the notes. The second deeds of trust are subordinate in all cases to a first deed of trust held by savings and loan associations and are subject to greater risks than first deeds of trust in the event that property values decline in the area of Hunsaker's operations. Second deeds of trust in the face amount of $2,089,000 were pledged as collateral for notes payable at September 30, 1964.

Conditional sales contracts in the amount of $16,500,821 carried at September 30, 1964, generally bear an interest rate of 6.6% and amortize over a 28 year period. All of the conditional sales contracts relate to houses which are encumbered through first deed of trust notes payable and, consequently, are subject to the same risks as second deeds of trust in the event that property values decline. A portion of Hunsaker's equity ($2,945,000) in conditional sales contracts is pledged as collateral for notes payable. The related first trust deeds payable carry interest rates of approximately 6½% and amortize over periods up to 25 years. In 1963 Hunsaker discontinued selling new homes under conditional sales contracts.

At December 30, 1964 the status of the notes receivables was as follows:

	Conditional Sales Contracts		Second Deeds of Trust	
	No.	Amount	No.	Amount
Current	820	$13,013,840	147	$1,066,309
Past Due —				
30 - 60 days	23	378,760	3	10,365
60 - 90 days	30	485,833	5	18,582
Over 90 days	19(a)	292,941	2	7,434
Total	892	$14,171,374	157	$1,102,690

(a) At January 10, 1965, payments had been made on 8 of these accounts. Each account in this age group has been investigated by Hunsaker's collection department and, in its opinion each account delinquency is the result of a temporary condition.

Prior to 1962 Hunsaker had, from time to time, sold a portion of its conditional sales contracts and second trust deeds at a discount. Since that time no sales of second trust deeds at a discount have been made by the company and it is not anticipated that this kind of financing will be used in the future. At the present time Hunsaker utilizes only conventional financing programs through savings and loan associations. On occasions Hunsaker has used government insured programs (V.A. & F.H.A.). However, the government insured programs have not been used extensively, as terms offered by savings and loan associations have been more flexible and convenient than the government insured programs.

On September 29, 1964 Hunsaker sold (without discount) approximately $4,000,000 principal amount of promissory notes payable to it, and secured by second deeds of trust, to Chatham Realty Corporation, a non-affiliated corporation, the capital stock of which is owned by two members of a law firm regularly retained as counsel for Occidental. Chatham borrowed $4,000,000 from The Chase Manhattan Bank in order to purchase such notes from Hunsaker. This borrowing was guaranteed by Occidental. On December 22, 1964, Chatham refinanced this borrowing and borrowed an additional $4,000,000 from said bank, issuing its $8,000,000 5¼%

promissory note due in installments of $2,000,000 on December 31, 1965, $2,000,000 on December 31, 1966 and $4,000,000 on December 31, 1967. This note was also guaranteed by Occidental. The additional $4,000,000 was used by Chatham to purchase from Hunsaker (without discount) additional promissory notes secured by second deeds of trust. In connection with this purchase, Hunsaker agreed to service all notes purchased from Hunsaker by Chatham for a fee of ¼% per quarter of the average principal amount outstanding during such quarter, provided that such fee is to be reduced to the largest amount, the payment of which would not result in Chatham either becoming insolvent or having its expenses during the quarter exceed its income. Although Hunsaker has an option to repurchase any note sold to Chatham on which there is a default in payment, Hunsaker is not obligated to do so. However, if Hunsaker does not repurchase all notes on which defaults occur and Chatham is unable to collect the full amount due thereunder, Chatham will be unable to pay its obligation to The Chase Manhattan Bank and Occidental will be required to make payment as guarantor. The aggregate equity investment in Chatham by its shareholders is $1,000, substantially all of which was expended in payment of organization expenses. Chatham has engaged in no business transactions except as set forth above and, under the terms of its note payable to The Chase Manhattan Bank, its shareholders cannot transfer the shares held by them without said bank's consent and Chatham may not create any indebtedness other than debt incurred in the ordinary course of business and debt subordinated to the obligation to said bank.

Competition

The products of Occidental are sold in highly competitive markets, and profit margins vary among the products. The posted market prices at which oil is sold and the negotiated contract prices at which gas is sold are highly competitive due to the number of companies in the oil and natural gas industries and the availability of other sources of energy and fuel. In recent years the supplies of crude oil, sulphur and nitrogenous fertilizers available in certain of Occidental's marketing areas have at times exceeded demand and, as a result, the prices for such commodities have been subject to wide fluctuation. Occidental accounted for approximately 11% of the sales of cresylic acid in the United States during 1963 and had the fourth largest production of the six domestic producers. Sales of cresylic acid have been adversely affected during the past three years because of the emergence during that period of competition from synthetic phenols.

During the twelve months ended September 30, 1964, Occidental manufactured and sold approximately 14% of the anhydrous and aqua ammonia, 23% of the ammonium phosphate fertilizers, and 16% of the ammonium sulphate consumed in California and 27% of the ammonium sulphate consumed as agricultural fertilizer in Texas. Occidental is the third largest producer of elemental sulphur in the United States, but is substantially smaller than either of the two largest producers. Petrochemicals is one of the three largest producers of sulphur in Canada. Occidental is one of the largest exporters of phosphate rock. Occidental does not consider itself to be a significant factor in any product or marketing area other than those mentioned above. Recently certain large companies (with financial resources much larger than Occidental's) have entered the fertilizer business and have acquired fertilizer raw material reserves. Occidental is unable at this time to determine what effect this will have on Occidental.

With respect to its residential construction, Hunsaker competes with many others engaged in the housing industry in Southern California. Each residential unit built of necessity competes with all other residential units in the area available for occupancy. Further, in connection with any purchase of land for development, Hunsaker competes with all other persons who may have an interest in acquiring such land, either for the same purpose or for a different purpose.

Employees

Occidental employs a total of approximately 1,720 persons, of whom it employs approximately 180 in its oil and gas operations, 360 in its sulphur and petrochemical operations, 570 in its domestic fertilizers and agricultural chemical manufacture and sales operations, 150 in its international fertilizer and fertilizer raw material marketing operations, and 370 in its residential construction, sales and leasing operations. Substantially all of the remaining employees perform administrative, accounting, executive or research and technical functions for more than one of the foregoing operations.

A majority of Occidental's hourly paid employees are members of labor unions affiliated with national labor organizations. Most of these employees are engaged in fertilizer producing or manufacturing operations at Lathrop, California, in sulphur producing operations in Texas, or in residential construction operations in Southern California. With the exception of a 33 day strike at its Lathrop, California fertilizer facility during 1964, Occidental has had no material work stoppages during the last five years and believes its labor relations are generally good.

Litigation

In August 1964 Armour & Company instituted an action in the Court of Chancery of the State of Delaware naming as defendants Occidental and two of its subsidiaries, Occidental Research and Engineering Corporation and International Ore & Fertilizer Corporation. The complaint alleged that the defendants are unlawfully acquiring from former employees of Armour, now employed by the defendants, and using for their own benefit, certain trade secrets and confidential information belonging to Armour in the field of superphosphoric acid. (See "Phosphates" herein.) Armour seeks an injunction restraining defendants from acquiring, or using, or benefiting from such trade secrets and confidential information and from employing the former Armour employees in any capacity which would require the disclosure by them of such trade secrets and confidential information. Armour also seeks an accounting from the defendants of all gains and profits resulting from the use by defendants of Armour's trade secrets and confidential information, together with damages. Occidental's subsidiaries have filed answer denying all material allegations of Armour's complaint. Occidental is not subject to personal jurisdiction in Delaware and, therefore, has not appeared in the action.

On September 1, 1964, Armour also instituted an action in the United States District Court for the Middle District of Florida, naming as defendants six former Armour employees and also instituted a companion action in the United States District Court for the Southern District of California, naming as defendants four former Armour employees. The named defendants in both of these actions are now all employed by Occidental. Armour's allegations and the relief sought are similar to those contained in the earlier suit.

The defendants have filed answers denying all material allegations of Armour's complaints and, in addition, they have filed counterclaims seeking to restrain Armour from wrongfully interfering with their employment relationship with Occidental. If a court should determine that the Occidental-Nordac process (see "Phosphates") to be used for making superphosphoric acid may not be used by Occidental this would have a material adverse effect upon Occidental's proposed superphosphoric acid operations. However, Messrs. Phillips, Nizer, Benjamin, Krim & Ballon of New York and Messrs. O'Melveny & Myers, of Los Angeles, each special counsel to Occidental with respect to certain aspects of the above described litigation, and Mr. Robert S. Rose, Occidental's vice president and general counsel, have advised Occidental that Occidental, its subsidiaries and the individual defendant employees, have a meritorious defense and should prevail.

MANAGEMENT

The names of the directors and executive officers of Occidental are as follows:

Armand Hammer	President, Chief Executive Officer and Director
E. C. Reid	Senior Executive Vice President and Director
Hugh S. Ten Eyck	Executive Group Vice President for Fertilizers and Director
Eugene H. Walet, Jr.	Executive Vice President for Sulphur and Chemicals and Director
Robert S. Rose	Vice President, General Counsel and Director
Paul C. Hebner	Secretary, Treasurer and Director
Eberhard P. Deutsch	Director
Frederic A. Gimbel	Director
Arthur Groman	Director
S. V. Hunsaker	Director
Neil H. Jacoby	Director
Louis A. Rezzonico	Director
Charles K. Schwartz	Director
Ernest Csendes	Executive Vice President for Research, Development and Engineering
Dorman L. Commons	Financial Vice President
E. F. Reid	Vice President and Exploration Manager
Richard H. Vaughan	Vice President and Chief Geologist
Charles C. Horace	Vice President and Chief Petroleum Engineer
Robert A. Teitsworth	Vice President and Geologist
Lawrence E. Scott	Vice President
Charles J. Lee	Controller

All of the above named officers have been employed by Occidental (including the corporate predecessors of Occidental's subsidiaries), for more than five years, except for Messrs. Rose, Commons, Csendes, Lee and Scott. Mr. Commons was employed by Douglas Oil Company as vice president, treasurer, and senior vice president between 1947 and 1964, when he became an employee of Occidental. Dr. Csendes was employed by Armour Agricultural Chemical Co., from 1961 to 1963, when he became an employee of Occidental. From 1951 to 1961 he was employed by E. I. du Pont de Nemours & Company. Mr. Lee was employed by Tidewater Oil Company from 1956 until 1964, when he became an employee of Occidental. Mr. Lee served as Chief Accountant and as Controller for Tidewater's western division. Mr. Rose was employed by McCulloch Oil Corporation of California and its predecessor entities as General Counsel from 1957 until 1962, when he became an employee of Occidental. Mr. Scott was employed by Standard Oil Company of California from 1948 to 1960 in various capacities in the Land Department and as assistant to the President and Manager of Land Department of Pauley Petroleum, Inc. from 1960 to November 15, 1964, when he became an employee of Occidental.

On December 1, 1964 the directors and officers of Occidental, as a group, owned beneficially 884,786 shares (approximately 13.9%), of its outstanding Capital Stock, 1,500 shares (approximately .1%) of the outstanding common stock of Petrochemicals and 1,000 (approximately .2%) of the Series B Warrants of Petrochemicals.

Remuneration

Information regarding remuneration is given below with respect to 1964 for (a) each director and each of the three highest paid officers of Occidental who received direct aggregate remuneration from Occidental Petroleum Corporation and its subsidiaries in excess of $30,000, and (b) all officers and directors of Occidental as a group:

Name of Individual or Identity of Group	Capacities in Which Remuneration Was Received	Aggregate Direct Remuneration (3)
Armand Hammer	President and Director of Occidental and Director of subsidiary	$ 59,750
E. C. Reid	Senior Executive Vice President and Director of Occidental and Director of subsidiary	$ 58,250
Hugh S. Ten Eyck (1)	Executive Vice President and Director of Occidental	$ 47,750
Eugene H. Walet, Jr. (2)	Executive Vice President and Director of Occidental and Director of subsidiary	$ 45,167
Robert S. Rose	Vice President and General Counsel and Director of Occidental and Director of subsidiary	$ 34,167
All Officers and Directors as a Group		$466,538

(1) Mr. Ten Eyck became an officer and director of Occidental on March 31, 1964.

(2) Mr. Walet became an officer and director of Occidental on March 2, 1964.

(3) Aggregate direct remuneration includes only direct remuneration paid during the period in which the named individual or group member was an officer or director of Occidental.

(4) No officer named above is entitled to receive pension or retirement benefits, other than Mr. Walet, whose estimated annual benefits upon retirement are $16,304. During 1964 Occidental accrued $10,773 with respect to Mr. Walet's retirement benefits.

Eugene H. Walet, Jr., had an employment contract with Jefferson Lake Sulphur Company, which provides an annual salary of $50,000 for five years (commencing in 1961), an annual consulting salary of $12,500 to $22,500 for ten additional years, additional 10-year retirement benefits of $10,000 to $12,000 per year, annual disability benefits of $8,000 to $12,000 for nine years, and annual death benefits (payable to his family), of $7,000 to $12,500 for not more than 10 years. The exact amount and term of the consulting salary and death, disability and retirement benefits depend on Mr. Walet's age and status of employment when the payments commence. This contract was assumed by Occidental as a result of the merger of Jefferson Lake Sulphur Company into Occidental in 1964. In addition, Occidental assumed the obligations of Jefferson Lake Sulphur Company under its contributory pension trust plan for all employees and its death, disability and retirement benefits plan for key employees, death-benefits plan, in both of which Mr. Walet participated. See Note 15 of Notes to Financial Statements of Occidental and Subsidiaries Consolidated herein.

Occidental entered into an employment contract with Robert S. Rose which provides for a minimum annual salary of $25,000 for three years commencing in September, 1962. Hugh S. Ten Eyck

has an employment contract with Occidental which provides for a minimum annual salary of $60,000 for five years commencing in December, 1963. This contract is cancellable by either party on two years notice. Each of the foregoing contracts provides for other benefits offered to executive officers of Occidental including grants of stock options during the term of the contract. In addition, Occidental has entered into employment contracts, cancellable by either party on one year's written notice, with four of its executive officers, and on two years' written notice with one of its executive officers, which contracts provide for an aggregate annual remuneration by Occidental of $150,000.

Transactions With Certain Persons

In 1962 and 1963 Occidental entered into three separate joint ventures with various persons to provide funds required for the drilling of exploratory and development wells on leases belonging to Occidental located in California, Louisiana, Mississippi, and the Rocky Mountain area. See "Oil and Gas — Oil and Gas Exploration Programs." Certain officers and directors of Occidental and their associates are participants in these joint ventures and have contributed an aggregate of $886,646 of the $12,836,865 (including $4,697,407 contributed by Occidental) contributed prior to September 30, 1964. All such officers, directors, and associates participate on the same basis as other participants. No one officer or director or associate has contributed more than $30,000 to any such joint venture while he was an officer or director, except the following contributions (including development costs) made prior to September 30, 1964, with respect to the first of such joint ventures: Armand Hammer — $35,856; and with respect to the 1963 joint venture: E. C. Reid — $61,667; Armand Hammer — $178,149; and Robert S. Rose, individually and as trustee — $171,440.

The participants in the 1963 joint venture appointed as their agent Occidental's affiliate, Occidental Petroleum Exploration Company ("Exploration Company"), all of the outstanding capital stock of which is owned equally by four of Occidental's officers and directors. The remaining directors of Exploration Company are also officers of Occidental. Exploration Company's officers and directors do not receive any remuneration or compensation for their services and its only income is from fees charged to each participant in the amount of $10 per year. Such income is expended solely for purposes of maintaining Exploration Company's corporate entity (franchise taxes, etc.). Thus Exploration Company virtually has no income and none is anticipated, it being merely a corporate entity that serves no purpose other than (a) making public offerings of participations in its annual exploration programs (that are conducted by Occidental), (b) holding title to oil and gas interests for the sole benefit of its participants and (c) accounting to its participants in connection with exploration matters. Since Exploration Company is virtually without earnings, its shareholders do not receive any return on their stock. Occidental also entered into a joint venture with Exploration Company during 1964. However, no Participant in the 1964 joint venture was an officer or director of Occidental at the time he became a Participant.

See also page 29.

STOCK OPTIONS

Under Occidental's 1961 Employees' Stock Option Plan, as amended, "restricted stock options" as defined in section 424 of the Internal Revenue Code and "qualified stock options" as defined in section 422 of the Code have been and may be granted to officers and key employees to purchase an aggregate of 550,000 shares of Capital Stock. The Plan provides that in each year options may be granted to purchase a maximum of 150,000 shares, plus the ungranted portion of the options available for grant in all prior years under the Plan. The Plan is administered by a committee of five directors, including three directors who are ineligible to receive options and are not officers or employees

of Occidental and two officer-directors eligible to receive options. The committee determines the participants, the option price (not less than 100% of the market value of the Occidental Capital Stock on the date the option is granted or 110% in the case of an optionee owning 10% or more of the outstanding Occidental Capital Stock), the number of shares to be optioned to each participant, and the period during which the option may be exercised (not prior to one year after the date of grant nor after six years from the date of grant, subject to the continued employment of the optionee). In 1964 the Internal Revenue Code was amended to provide, in effect, that "restricted stock options" of the type theretofore contemplated by the Plan, if granted after January 1, 1964, would not enjoy the favorable tax consequences theretofore provided. Instead, the Code, as amended, provides for the granting of "qualified stock options." Options granted under the Plan to participants who do not own 5% or more of Occidental's outstanding Capital Stock will qualify as qualified stock options if, by the terms of their grant, they are exercisable only within five years from the date of grant and are not exercisable while the optionee holds any other option to purchase Occidental Capital Stock at a price higher than the option price of the new option. As a result of a provision of the Plan to avoid dilution due to stock dividends, the aggregate number of shares with respect to which options have been and may be granted, and with respect to which options may be granted in any one year, have been increased to 600,629 shares and 164,403 shares, respectively. As of December 15, 1964, 202,131 shares remained available for the granting of options under the Plan. On December 15, 1964, outstanding options granted under Occidental's 1961 Employees' Stock Option Plan were held as follows:

	Shares Subject to Option(a)	Weighted Average Option Price(a)	Range of Expiration Dates
Armand Hammer(b)	25,231	$18.05	10/ 6/66 to 7/28/69
E. C. Reid	16,232	$22.64	7/ 9/68 to 7/28/69
Hugh S. Ten Eyck	10,608	$27.75	7/28/69 to 12/11/69
Eugene H. Walet, Jr.(c)	3,934	$23.68	3/31/69
Robert S. Rose	16,232	$23.72	8/24/68 to 7/28/69
All directors and officers as a group(d)	133,990	$24.13	10/ 6/66 to 12/11/69
Other employees as a group	202,706	$27.93	10/ 6/66 to 12/11/69

(a) Adjusted to reflect 4% stock dividends paid to shareholders of record on December 17, 1962, December 26, 1963, and December 11, 1964.

(b) Includes an option for 5,000 shares granted under the Plan in 1964 which does not qualify as a "qualified stock option" because Dr. Hammer owns more than 5% of the outstanding Capital Stock of Occidental, and consequently such option will not receive the favorable tax treatment afforded "qualified stock options."

(c) See below as to additional options assumed by Occidental.

(d) Includes those named above.

Each of the foregoing options was granted at an exercise price equal to 100% of the market price for Occidental Capital Stock, except for an option to purchase 8,000 shares granted on October 6, 1961 at an exercise price of 110% of the market value.

Restricted stock options granted by Jefferson Lake Sulphur Company to certain of its employees, exercisable for five years following the date of grant and becoming exercisable in five equal annual installments commencing six months after the date of grant, were assumed by Occidental in connection with the merger of Jefferson Lake Sulphur Company into Occidental. Options were granted on May 3, 1960, with respect to 19,475 shares of Jefferson Lake Sulphur Company common stock (including 1,800 shares purchasable by Mr. Eugene H. Walet, Jr.) at the fair market value on the date of grant, $14.56 per share. An option was granted as of October 1, 1961, to purchase 2,000 shares at 96.5% of fair market value, $15.56 per share. As a result of adjustment to avoid dilution by the 4% stock dividend declared by Occidental in 1964, these options, as at December 15, 1964, are exercisable with respect to 8,086 shares (including 1,266 shares purchasable by Mr. Walet) and 740 shares of Occidental Capital Stock at exercise prices of $20.71 and $22.14 per share, respectively.

Restricted stock options granted by S. V. Hunsaker & Sons to certain of its employees, exercisable in equal annual installments during a period expiring five years from the date of grant, were assumed by Occidental in connection with its acquisition of S. V. Hunsaker & Sons. These options were granted on May 24 and July 16, 1963, with respect to an aggregate of 7,500 shares of S. V. Hunsaker & Sons capital stock at $4 per share, which was 100% of the fair market value on the dates of grant. As a result of adjustment to avoid dilution by the 4% stock dividend declared by Occidental in 1964, these options are presently exercisable with respect to 390 shares of Occidental Capital Stock at an exercise price of $19.23 per share. In addition, S. V. Hunsaker & Sons had issued warrants to purchase 20,000 shares of its capital stock, at prices ranging from $5.50 to $6.40 per share during the period May 1, 1964, through April 30, 1968, to Bateman Eichler & Co., the principal underwriter in connection with a public offering of securities made by S. V. Hunsaker & Sons in 1963. The warrants, which were issued pursuant to the underwriting agreement, were purchased for $1,000 on June 3, 1963. The warrants, which are only transferable to affiliates and partners of the purchaser of the warrants, were assumed by Occidental and, as at December 15, 1964, are exercisable with respect to 4,160 shares of Occidental Capital Stock at prices ranging from $26.44 to $30.77 per share.

Reference is made to Notes 14 and 13 to the Financial Statements of Occidental and Subsidiaries Consolidated for information with respect to Petrochemicals Series B warrants outstanding on September 30, 1964 to purchase 549,849 shares of its common stock and Employees' Restricted Stock Options to purchase 29,180 shares of its common stock.

Reference is made to the cover page of this Prospectus herein for the market price of Occidental Capital Stock as of a recent date.

DESCRIPTION OF CAPITAL STOCK

The authorized Capital Stock of Occidental consists of 10,000,000 shares of Capital Stock, par value $.20 per share. As of December 1, 1964, there were outstanding 6,366,000 shares of Occidental's Capital Stock, not including 16,502 treasury shares.

Occidental's Capital Stock is listed on the New York Stock Exchange and the Pacific Coast Stock Exchange. The transfer agents are The Chase Manhattan Bank, New York, New York, and United California Bank, Los Angeles, California. The registrars are Chemical Bank New York Trust

Company, New York, New York, and Bank of America National Trust and Savings Association, Los Angeles, California.

Dividends may be paid upon the Capital Stock, as and when declared by the board of directors, out of funds legally available therefor. The retained earnings of Occidental available for the payment of cash dividends are restricted by the terms of the Indenture with respect to the debentures of S. V. Hunsaker & Sons and the retained earnings of certain consolidated subsidiaries are restricted by the terms of certain borrowings. As a result of such restrictions, consolidated retained earnings so restricted at September 30, 1964 were $7,560,000.

All voting rights are vested in the holders of the Capital Stock and each share of Capital Stock is entitled to one vote, with the right to vote cumulatively at every election of directors.

In the event of dissolution or liquidation of Occidental or upon any distribution of its assets, whether voluntary or involuntary, the holders of the Capital Stock then outstanding are entitled to share ratably in all assets of Occidental legally available for distribution after the payment of Occidental's outstanding obligations.

There are no conversion, pre-emptive, sinking fund or redemption provisions applicable to the Capital Stock. The Capital Stock is not liable to assessment or future calls.

UNDERWRITING

In the Underwriting Agreement, the several Underwriters, represented by Lehman Brothers, Allen & Company Incorporated, and Reynolds & Co., have agreed, subject to the terms and conditions therein set forth, to purchase from Occidental all of the Capital Stock not purchased upon exercise of Rights, at the Subscription Price set forth on the cover page of this Prospectus.

Occidental has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

Occidental Petroleum Corporation has agreed to pay the Underwriters $0.50 a share as to all the shares offered to shareholders hereby, plus an additional $0.80 for each share of Unsubscribed Stock. For the purpose of determining such additional commission, if any, Unsubscribed Stock includes Capital Stock acquired by the Underwriters through the purchase and exercise of Rights. The minimum underwriting discounts and commissions and maximum proceeds to Occidental shown on the cover of this Prospectus are based on the assumption that all of the shares of Capital Stock offered hereby will be subscribed for by others than the Underwriters, and the maximum underwriting discounts and commissions and minimum proceeds to Occidental are based on the assumption that none of such shares will be so subscribed for.

The Underwriters have agreed to pay to Occidental 50% of the excess over the Subscription Price with respect to certain sales by the Underwriters of Capital Stock, after deducting costs and expenses, as more fully provided in the Underwriting Agreement.

The names and addresses of the several Underwriters and the respective percentages of the Unsubscribed Capital Stock to be purchased by each of them are as follows:

Name	Address	Percentage to be Purchased
Lehman Brothers	One William Street New York, N. Y. 10004	12.8%
Allen & Company, Incorporated	30 Broad Street New York, N. Y. 10004	12.8
Reynolds & Co.	120 Broadway New York, N. Y. 10005	12.8
Bache & Co.	36 Wall Street New York, N. Y. 10005	1.5
J. Barth & Co.	404 Montgomery Street San Francisco, Calif. 94104	1.0
Bateman, Eichler & Bingham, Incorporated	453 South Spring Street Los Angeles, Calif. 90013	0.7
Bear, Stearns & Co.	1 Wall Street New York, N. Y. 10005	1.5
J. C. Bradford & Co.	414 Union Street Nashville, Tenn. 37219	1.5
J. M. Dain & Co., Inc.	110 South Sixth Street Minneapolis, Minn. 55402	1.0
Francis I. Du Pont, A. C. Allyn, Inc.	One Wall Street New York, N. Y. 10005	1.5
Eastman Dillon, Union Securities & Co.	One Chase Manhattan Plaza New York, N. Y. 10005	3.3
A. G. Edwards & Sons	409 North Eighth Street St. Louis, Mo. 63101	0.5
Funk, Hobbs & Hart, Inc.	1012 National Bank of Commerce Bldg. San Antonio, Texas 78205	0.5
Fusz-Schmelzle & Co., Inc.	522 Olive Street St. Louis, Mo. 63101	0.5
Robert Garrett & Sons, Inc.	South and Redwood Streets Baltimore, Md. 21203	0.7
Hallgarten & Co.	44 Wall Street New York, N. Y. 10005	1.5
Hallowell, Sulzberger, Jenks, Kirkland & Co.	Philadelphia National Bank Bldg. Philadelphia, Pa. 19107	0.5
Hornblower & Weeks—Hemphill, Noyes	8 Hanover Street New York, N. Y. 10004	3.0
E. F. Hutton & Company Inc.	One Chase Manhattan Plaza New York, N. Y. 10005	3.0
Hugh Johnson & Company, Inc.	1800 Rand Bldg. Buffalo, N. Y. 14203	0.5
Johnston, Lemon & Co.	Southern Bldg. Washington, D. C. 20005	1.0
The Kentucky Company	320 South Fifth Street Louisville, Ky. 40202	0.7

Name	Address	Percentage to be Purchased
Kleiner, Bell & Co.	315 South Beverly Drive Beverly Hills, Calif. 90212	0.7%
Kohlmeyer & Co.	217 Carondelet Street New Orleans, La. 70130	0.5
Ladenburg, Thalmann & Co.	25 Broad Street New York, N. Y. 10004	1.5
Laird, Bissell & Meeds	120 Broadway New York, N. Y. 10005	1.0
Lazard Freres & Co.	44 Wall Street New York, N. Y. 10005	3.0
Lee Higginson Corporation	20 Broad Street New York, N. Y. 10005	1.5
Carl M. Loeb, Rhoades & Co.	42 Wall Street New York, N. Y. 10005	3.0
The Milwaukee Company	207 East Michigan Street Milwaukee, Wis. 53202	0.7
New York Securities Co.	52 Wall Street New York, N. Y. 10005	1.0
Newburger & Company	1401 Walnut Street Philadelphia, Pa. 19102	0.7
Paine, Webber, Jackson & Curtis	25 Broad Street New York, N. Y. 10004	3.0
Paribas Corporation	40 Wall Street New York, N. Y. 10005	3.0
Raffensperger, Hughes & Co., Inc.	20 North Meridian Street Indianapolis, Ind. 46204	0.5
Reed, Lear & Co.	Grant Bldg. Pittsburgh, Pa. 15219	0.5
L. F. Rothschild & Co.	120 Broadway New York, N. Y. 10005	1.5
Rutner, Jackson & Gray, Inc.	811 West Seventh Street Los Angeles, Calif. 90017	0.5
Salomon Brothers & Hutzler	Sixty Wall Street New York, N. Y. 10005	1.5
Saunders, Stiver & Co.	One Terminal Tower Cleveland, Ohio 44113	0.5
Scharff & Jones, Inc.	140 Carondelet Street New Orleans, La. 70130	0.5
Schwabacher & Co.	100 Montgomery Street San Francisco, Calif. 94104	1.0
Shearson, Hammill & Co. Incorporated	14 Wall Street New York, N. Y. 10005	1.5
Shields & Company Incorporated	44 Wall Street New York, N. Y. 10005	1.5
I. M. Simon & Co.	315 North Fourth Street St. Louis, Mo. 63102	0.7

Name	Address	Percentage to be Purchased
Smith, Barney & Co. Incorporated	20 Broad Street New York, N. Y. 10005	3.0%
Smith, Hague & Co.	Penobscot Bldg. Detroit, Mich. 48226	0.5
William R. Staats & Co. Incorporated	640 South Spring Street Los Angeles, Calif. 90014	1.0
Stein Bros. & Boyce, Inc.	One Charles Center Baltimore, Md. 21201	0.7
Stern, Frank, Meyer & Fox	Union Bank Bldg. Los Angeles, Calif. 90014	0.7
J. C. Wheat & Co.	1001 East Main Street Richmond, Va. 23219	0.5
Winslow, Cohu & Stetson of New York, Inc.	26 Broadway New York, N. Y. 10004	1.0
		100%

The Representatives of the Underwriters named above have advised Occidental that the Underwriters may offer Capital Stock as set forth on the cover page of this Prospectus, that initially they may allow concessions not in excess of $0.75 per share to certain dealers, and that the Underwriters and such dealers initially may re-allow concessions not in excess of $0.25 per share to other dealers. Such concessions to dealers may be changed by the Representatives.

LEGAL OPINIONS

Counsel passing upon the legality of the Capital Stock offered hereby are Messrs. Pillsbury, Madison & Sutro, 225 Bush Street, San Francisco, California 94104, for Occidental and Messrs. Simpson Thacher & Bartlett, 120 Broadway, New York, New York 10005, for the Underwriters.

EXPERTS

The financial statements and related schedules included herein and elsewhere in the Registration Statement with respect to Occidental Petroleum Corporation and subsidiaries consolidated have been examined by Arthur Andersen & Co., independent public accountants for the three years ending in 1961, 1962, and 1963, and for the nine months ended September 30, 1964, as stated in their opinions included in this Registration Statement, which opinions are based in part upon examinations by other public accountants with respect to certain subsidiaries. The financial statements and related schedules included herein and elsewhere in the Registration Statement with respect to S. V. Hunsaker & Sons, Inc. have been examined by Price Waterhouse & Co., independent public accountants, for the three years ended September 30, 1963, as stated in their opinion included in this Prospectus, and by Arthur Andersen & Co., independent public accountants, for the nine months ended September 30, 1964, as stated in their opinions included in this Registration Statement; and, with respect to International Ore & Fertilizer Corporation and subsidiaries, have been examined by Arthur Andersen & Co., independent public accountants, for the periods from December 11, 1963 (date of acquisition) to September 30, 1964, as stated in their opinion included in this Prospectus. Such financial statements and schedules as have been examined by independent public accountants, as stated herein, have been included in reliance upon the opinions, some of which are based in part upon examinations by other public accountants. of the respective firms given upon the authority of those firms as experts in accounting.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To Occidental Petroleum Corporation:

We have examined the consolidated balance sheet of OCCIDENTAL PETROLEUM CORPORATION (a California corporation) and subsidiaries consolidated as of September 30, 1964 and the related consolidated statements of operations (Page 10) and capital surplus and retained earnings for the three years and nine months then ended, all as prepared on the basis described in Note 1 to the consolidated financial statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Signet Oil and Gas Co. for the year ended December 31, 1961, The Best Fertilizers Co. and subsidiaries consolidated for the two years ended October 31, 1962, The Best Fertilizers Company (formerly The Best Fertilizers Company of Texas) for the two years ended July 31, 1962, Jefferson Lake Sulphur Company and consolidated subsidiary for the three years ended December 31, 1963, and Jefferson Lake Petrochemicals of Canada, Ltd., for the nine months ended September 30, 1964, all of which are included in the consolidated financial statements and the latter of which represents an aggregate of approximately 12 per cent of total consolidated assets at September 30, 1964, but have received reports thereon by other public accountants who have made such examinations. We also did not examine the financial statements of S. V. Hunsaker & Sons, Inc. (formerly S. V. Hunsaker & Sons) for the three years ended September 30, 1963, the equity in net income of which company has been reflected in the consolidated statements of operations on a pooling of interests basis, but have received reports thereon by other public accountants who made such examinations.

In our opinion, based upon our examination and aforementioned reports of other public accountants, the financial statements referred to above present fairly the consolidated financial position of Occidental Petroleum Corporation and subsidiaries consolidated at September 30, 1964, and the results of their operations for the three years and nine months then ended, in conformity with generally accepted accounting principles. Except for the change in 1964 (which we approve) in the method of reflecting proceeds from sale of production payments as explained in Note 5 to the consolidated financial statements and after giving retroactive effect to (1) the removal from consolidation (which we approve) of a subsidiary which has subsequently been disposed of and (2) the change (which we approve) in the method of accounting for oil and gas costs, as explained in Note 6 to the consolidated financial statements, in our opinion, such accounting principles were applied on a consistent basis during the period.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
December 1, 1964.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

We have examined the consolidated statements of operations, retained earnings and capital surplus of Signet Oil and Gas Co. and subsidiary (Signet Operating and Exploration Co.) for the year ended December 31, 1961 (which statements are not presented separately herein). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated results of operations of Signet Oil and Gas Co. and subsidiary for the year ended December 31, 1961, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & ZICK

Denver, Colorado,
February 15, 1962.

OPINION OF RUE, SNELL, HUTCHISON AND COMPANY

To the Stockholders and Board of Directors:

The Best Fertilizers Co.:

We have examined the consolidated statements of operations, retained earnings and capital surplus of The Best Fertilizers Co. and subsidiaries consolidated for the two years ended October 31, 1962 (which statements are not presented separately herein). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated statements of operations, retained earnings and capital surplus of The Best Fertilizers Co. and subsidiaries consolidated present fairly the results of operations for the two years ended October 31, 1962, in conformity with generally accepted accounting principles applied on a consistent basis.

RUE, SNELL, HUTCHISON AND COMPANY

Stockton, California
December 6, 1963

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Best Fertilizers Company:

We have examined the statements of operations and retained earnings of The Best Fertilizers Company (formerly The Best Fertilizers Company of Texas, a Texas corporation) for the two years ended July 31, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, said statements of operations and retained earnings (none of such financial statements is presented separately herein) present fairly the results of operations of The Best Fertilizers Company for the two years ended July 31, 1962, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Houston, Texas,
November 14, 1962.

(December 16, 1963 as to information in a footnote relating to merger of the Company with Occidental Petroleum Corporation)

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.:

We have examined the consolidated balance sheet of Jefferson Lake Petrochemicals of Canada Ltd. and its wholly-owned subsidiary at September 30, 1964, and the related consolidated statement of earnings and retained earnings for the nine months then ended (which balance sheet and statements are not presented separately herein). Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Jefferson Lake Petrochemicals of Canada Ltd. and its wholly-owned subsidiary at September 30, 1964, and the results of their operations for the nine months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Calgary, Alberta
November 10, 1964

OPINION OF INDEPENDENT ACCOUNTANTS

To the Board of Directors,
Jefferson Lake Sulphur Company:

We have examined the consolidated statements of operations, retained earnings, and capital surplus of Jefferson Lake Sulphur Company and its consolidated subsidiary, Jefferson Lake Petrochemicals of Canada Ltd. (which statements are not presented separately herein) for the three years ended December 31, 1963. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of some operating units and the subsidiary were examined by other Certified Public Accountants and Chartered Accountants. We have accepted such statements for the purpose of these statements as though the examinations had been made by us.

In our opinion, the statements mentioned above present fairly the consolidated results of operations of Jefferson Lake Sulphur Company and its consolidated subsidiary for the three years ended December 31, 1963, in conformity with generally accepted accounting principles applied, during the periods, on a consistent basis after giving retroactive effect to the removal from consolidation (which we approve) of a subsidiary formerly consolidated.

HARTMANN, ALY, MONNIER & CO.

New Orleans, Louisiana,
March 28, 1964.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

CONSOLIDATED BALANCE SHEET

September 30, 1964

ASSETS

			(Amounts in thousands)
Current Assets:			
Cash			$ 4,297
Marketable securities, at cost			93
Receivables —			
Trade (less reserve of $254,000 for doubtful accounts)			9,526
Due from affiliated companies			1,811
Advances to joint ventures and amounts due from participants			1,492
Inventories, at the lower of average cost or market (Note 12)			7,282
Prepaid expenses			362
Total current assets			$24,863
Investments in and Advances to Unconsolidated Subsidiaries and Affiliated Companies (Notes 1 and 2):			
S. V. Hunsaker & Sons, Inc.			
Investment	$ 6,767		
Advances	1,496	$ 8,263	
International Ore & Fertilizer Corporation			
Investment	$ 3,066		
Advances	692	3,758	
Other			
Investments	$ 850		
Advances	334	1,184	13,205
Property, Plant and Equipment (Notes 3 and 6), at cost:			
Oil and gas operations		$37,347	
Manufacturing and sulphur operations		40,200	
		$77,547	
Less — Reserve for depreciation, depletion and amortization		24,143	53,404
Other Assets:			
Deferred financing costs less amortization (Note 4)		$ 997	
Preoperating expenses, project development costs, etc., less amortization (Note 4)		3,234	
Other		1,920	6,151
			$97,623

The accompanying notes are an integral part of this balance sheet.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

CONSOLIDATED BALANCE SHEET

September 30, 1964

LIABILITIES

		(Amounts in thousands)
Current Liabilities:		
Current maturities of long-term debt		$ 4,337
Other notes payable		2,000
Accounts payable		5,859
Accrued liabilities —		
Commissions, payrolls and bonuses		316
Profit-sharing contributions		199
Taxes and other		1,520
Total current liabilities		$14,231
Long-Term Debt, net of current maturities (Note 7)		29,662
Reserve for Estimated Future Production Costs Applicable to Gas Production Payments (Note 5)		1,065
Deferred Proceeds From Sale of Sulphur Production Payment, net of tax benefits (Note 5)		1,222
Commitments and Contingent Liabilities (Note 8)		
Minority Interest In:		
Common stock	$ 1,968	
Retained earnings and capital surplus	4,309	6,277
Shareholders' Equity:		
Capital stock, par value $.20 a share—authorized 10,000,000 shares, issued 6,351,060 shares (Notes 7, 13 and 14)	$ 1,271	
Warrants (Note 14)	21	
Capital surplus (Note 9)	31,621	
Retained earnings (Notes 9 and 10)	12,253	45,166
		$97.623

The accompanying notes are an integral part of this balance sheet.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Years Ending in 1961	1962	1963	Nine Months Ended September 30, 1964
	(Amounts in thousands)			
BALANCE, BEGINNING OF PERIOD	$ 8,991	$12,632	$18,293	$13,443
ADD OR (DEDUCT):				
Net income (including production payments and tax benefit from losses relating to unconsolidated subsidiary)	3,641	8,278	7,803	6,135
Net income of pooled companies for short periods in 1962 and 1963 excluded from consolidated statement of operations (Note 2)	—	80	216	—
Dividends paid by Occidental Petroleum Corporation (Note 10)—				
Cash	—	(1,172)	(2,573)	(1,655)
Capital stock	—	—	(3,796)	(5,497)
Dividends paid in cash by pooled companies on common stock prior to pooling	—	—	(88)	(23)
Cost of capital stock reacquired	—	(147)	(223)	(56)
Reversal of entries in prior years in which accumulated deficits aggregating $782,660 were charged to capital surplus (Note 9)	—	(783)	—	—
Transfer to capital stock by a pooled company, representing excess of par value of common stock issued over the combined stated capital of predecessor companies	—	(595)	—	—
Write-off, by a pooled company prior to merger, of investments and advances to an unconsolidated subsidiary considered in merger negotiations to be of no value (Note 2)	—	—	(6,189)	—
Excess of redemption price of preferred stock of a pooled company over par value thereof	—	—	—	(94)
BALANCE, END OF PERIOD	$12,632	$18,293	$13,443	$12,253

The accompanying notes are an integral part of these statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS

	Years Ending in			Nine Months Ended September 30, 1964
	1961	1962	1963	
	(Amounts in thousands)			
BALANCE, BEGINNING OF PERIOD	$ 8,806	$ 9,519	$15,420	$24,775
Excess of proceeds or market value over par value of capital stock sold or issued for acquisitions —				
Sale of stock by a pooled company	—	—	216	—
Exercise of stock options	190	478	748	281
Acquisition of properties and companies—				
International Ore & Fertilizer Corporation and related companies (Note 1)	—	—	2,802	—
Other	523	297	578	—
Issuance of capital stock upon conversion of—				
Debentures	—	3,636	773	11
Preferred stock	—	—	263	—
Capital arising from contribution of common stock by stockholders of a pooled company	—	100	—	—
Reversal of entries in prior years in which accumulated deficits aggregating $782,660 were transferred to capital surplus (Note 9)	—	783	—	—
Excess of capital stock of pooled companies over par value of capital stock issued	—	607	216	1,472
Excess of market value of shares of capital stock issued as stock dividend over par value thereof	—	—	3,759	5,454
Cost of shares of pooled company redeemed from dissenting shareholders	—	—	—	(346)
Cost of stock issue by a subsidiary	—	—	—	(26)
BALANCE, END OF PERIOD	$ 9,519	$15,420	$24,775	$31,621

The accompanying notes are an integral part of these statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Pooling of interests and acquisitions —

In 1963 Occidental exchanged 420,987 shares of capital stock for the assets and liabilities of The Best Fertilizers Co. and The Best Fertilizers Company (formerly The Best Fertilizers Company of Texas), together with outstanding shares of common stock of two affiliates of The Best Fertilizers Co. In 1964, Jefferson Lake Sulphur Company was merged with and into Occidental and 532,605 shares of capital stock were issued in connection with this merger. Also in 1964 Occidental exchanged 160,938 shares of capital stock for the assets and liabilities of S. V. Hunsaker & Sons (Hunsaker). These transactions were accounted for as poolings of interests. The book values of assets and liabilities of these companies were transferred to newly organized, wholly owned subsidiaries of Occidental and their retained earnings carried forward, except that, since, under terms of the Hunsaker agreement, convertible subordinated debentures of Hunsaker in the principal amount of $1,476,550, due May 1, 1978, became convertible into 59,062 shares of Occidental's capital stock, such liability was directly assumed by Occidental and was not transferred to the newly formed subsidiary.

On December 11, 1963, in exchange for 103,579 shares of Occidental's capital stock, a wholly owned subsidiary of Occidental acquired substantially all of the assets and assumed substantially all of the liabilities of International Ore & Fertilizer Corporation (Interore) and Occidental and its subsidiaries acquired all of the outstanding capital stock of certain corporations affiliated with Interore. This transaction was accounted for as a purchase and the investment in these companies was recorded at cost measured by the fair value ($2,822,528) of the capital stock issued.

(2) Principles of consolidation —

The consolidated financial statements include the accounts of Occidental and its significant subsidiaries (other than Hunsaker and Interore)—Gene Reid Drilling, Inc.; Signet Operating and Exploration Co. (which was liquidated into Occidental in 1963); The Best Fertilizers Co. and consolidated subsidiaries; The Best Fertilizers Company; Jefferson Lake Sulphur Company and consolidated subsidiary; Occidental Corporation of Florida; and Occidental Research & Engineering Corporation. The financial statements of The Best Fertilizers Co. and consolidated subsidiaries and The Best Fertilizers Company have been included for 1962 and prior years on the basis of their fiscal years ended October 31 and July 31, respectively, and have not been recast to conform with the fiscal years of Occidental. Net income for the short periods from the end of such fiscal years to December 31, 1962, have been credited directly to retained earnings.

Jefferson Lake Sulphur Company had formerly consolidated the accounts of Jefferson Lake Asbestos Company (then a majority-owned subsidiary) for the year ended December 31, 1962, but for the year ended December 31, 1963, such subsidiary was not consolidated and 1962 has been retroactively restated to remove such accounts from consolidated results of operations. At December 31, 1963, Jefferson Lake Sulphur Company, by a charge to retained earnings in the amount of $6,189,000, provided a reserve equivalent to the aggregate of its investments in shares of stock and advances to, and guarantees of obligations of Jefferson Lake Asbestos Company; and in the merger agreement formula providing for exchange of Occidental's shares for Jefferson Lake Sulphur Company's shares, no value was assigned to Jefferson Lake Sulphur Company's investment in and advances to Jefferson Lake Asbestos Company. The Jefferson Lake Asbestos Company shares were disposed of in their entirety by Occidental in 1964.

Occidental's investments in its consolidated subsidiaries are carried at the underlying book value of the net assets of the subsidiaries, except that the Canadian subsidiary of Jefferson Lake Sulphur Company carries certain property, plant and equipment acquired from Jefferson Lake Sulphur Company at an amount which exceeds Jefferson Lake Sulphur Company's original cost of such assets by $4,747,000 after deducting reserve provisions thereon to September 30, 1964, in the amount of $391,000. In consolidation, the gross difference of $5,138,000 has been eliminated against consolidated capital surplus and the related reserve ($391,000) has been credited to consolidated retained earnings.

The individual accounts of Interore have not been consolidated since its operations (primarily as a trading concern engaged in the purchase and sale of fertilizers and fertilizer raw materials) are considerably different from those of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Occidental and consolidated subsidiaries and substantially all of its customers are located outside of the United States. Separate financial statements of Interore are included elsewhere in this Prospectus. The investment in Interore is carried at cost measured by the fair value of the capital stock issued in connection with the acquisition of its assets and liabilities plus accumulated net income from the date of acquisition (December 11, 1963) to September 30, 1964. The cost of Occidental's investment exceeded the underlying book value of the net assets of Interore (and corporations affiliated with Interore) at acquisition by $1,508,000; this amount is being amortized over a 20-year period commencing in 1964.

The individual accounts of Hunsaker have not been consolidated since its operations as a real estate development and sales concern are not comparable with those of Occidental and consolidated subsidiaries which relate primarily to the extraction and processing of minerals and chemicals. Separate financial statements of Hunsaker are included elsewhere in this Prospectus. Occidental's investment in Hunsaker is carried at an amount equivalent to the book value of assets and liabilities of Hunsaker on a pooling of interests basis of accounting and its equity in the net earnings and the accumulated retained earnings and capital surplus of Hunsaker have been included in income, retained earnings, and capital surplus in the accompanying financial statements. Occidental's equity in net income of Hunsaker for 1963 and prior years is based upon the net income of that company and its predecessors for fiscal years ended September 30 and have not been recast to conform with the fiscal years of Occidental. The net income for the three months ended December 31, 1963, has been credited directly to retained earnings.

In consolidating the accounts of a majority-owned Canadian subsidiary, the foreign currency accounts for the Canadian subsidiary have been converted to United States dollars at end of period rates of exchange for each period except for property, plant and equipment and long-term debt, which in general have been converted at rates in effect during the period of transactions. Unrealized loss from exchange conversion at September 30, 1964, $2,226, is included in the balance sheet in other accrued liabilities.

Intercompany accounts and transactions have been eliminated in the consolidation (there were no significant intercompany profits or losses on transactions with affiliates not consolidated).

Certain other majority-owned subsidiaries have not been consolidated since they are not significant in the aggregate. Occidental's investment, which is carried at cost, and its equity in net assets in these unconsolidated majority-owned subsidiaries and an affiliated company are presented below:

	September 30, 1964	
	Investment at Cost	Equity in Net Assets
Unconsolidated majority-owned subsidiaries	$829,658	$759,407
Affiliated company	20,075	151,593
	$849,733	$911,000

All of the contract drilling (which was done by a consolidated subsidiary) was for Occidental and the joint ventures in which Occidental has an interest. Contract drilling income and costs have not been eliminated in consolidation; however, intercompany profits and losses applicable to Occidental's interest in wells drilled have been eliminated in consolidation.

Separate financial statements of Occidental have not been presented. Occidental is an operating company and all consolidated subsidiaries are wholly owned except for three subsidiaries of The Best Fertilizers Co. and the Canadian subsidiary of Jefferson Lake Sulphur Company which were not wholly owned by those companies at the time they

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

became subsidiaries. A summary of the amounts included in the consolidated balance sheet with respect to such partially owned subsidiaries is as follows:

	Three Subsidiaries of Best	Canadian Subsidiary of Jefferson (Note b)
	(Amounts in thousands)	
Property, plant and equipment (net of reserves)	$ 6,331	$12,393(b)
Other assets	2,200	4,529
	$ 8,531	$16,922
Long-term debt	$ 2,225(a)	$ 4,421
Other liabilities	742	737
	$ 2,967	$ 5,158
Minority interest in—		
Common stock	$ 1,294	$ 674
Capital surplus and retained earnings	1,168	3,141
	$ 2,462	$ 3,815
Included in consolidated shareholders' equity	$ 3,102	$ 7,949(b)
	$ 8,531	$16,922

Notes:

(a) Substantially all guaranteed by Occidental (see Note 7).

(b) Before elimination of excess ($4,747,000) of carrying value of property, plant and equipment over cost of such property transferred to the Canadian subsidiary.

Also, other consolidated subsidiaries have outstanding long-term debt. However, with the exception of the sinking fund debentures of the Canadian subsidiary, substantially all of the long-term debt of consolidated subsidiaries is guaranteed by Occidental (see Note 7).

Sales, net income, and minority interest in net income of these subsidiaries has been as follows:

Three Subsidiaries of Best —	Sales	Net Income (loss)	Minority Interest in Net Income
		(Amounts in thousands)	
Year ended December 31			
1961	$ 581	$ 30	$ 17
1962	784	39	23
1963	1,061	97	39
Nine months ended September 30, 1964	924	(10)	(6)
Canadian Subsidiary of Jefferson —			
Year ended December 31			
1961	$ 768	$234	$ 74
1962	2,715	574	185
1963	3,560	865	314
Nine months ended September 30, 1964	3,032	673	243

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Joint ventures —

Occidental's investment in oil and gas joint ventures as of September 30, 1964, has been included in the following categories in the accompanying balance sheet:

Properties and equipment—	
Leases and exploration costs	$7,986,311
Lease and well equipment	3,528,033
Reserves for depreciation, depletion and amortization	(2,272,734)
Other assets (net)	68,016
	$9,309,626

Similar amounts were shown in previous balance sheets as investments in and advances to oil and gas joint ventures.

(4) Other assets —

Deferred financing costs and debt discount are being amortized on the basis of the terms of the related financial agreements.

Preoperating expenses and project development costs are comprised of the following:

Preproduction expenses in Calgary gas field being amortized on unit of production basis	$1,128,285
Preoperating costs relating to major new operating facilities installed by The Best Fertilizers Co. and The Best Fertilizers Company, being amortized over a 5-year period	819,800
Gas contract negotiation costs being amortized over the contract period	116,572
Organization and merger costs being amortized over a 5-year period	332,654
Costs applicable to new projects being studied and developed	836,670
	$3,233,981

(5) Production payments —

(a) Gas —

In 1961, 1962 and 1963, Occidental included the proceeds from sales of carved-out production payments (net of provisions for applicable future lifting costs, depreciation, depletion, and amortization) in its statement of income as a special credit in the year of sale. Gas sold in place under these arrangements to be produced in future periods will be excluded from income when produced.

During 1962, Occidental entered into agreements with one purchaser under which three carved-out production payments were to be sold, each in the principal sum of $5 million. The agreements provide that the production payments are payable out of varying percentages of gas produced from Occidental's Lathrop field in an amount equal to the consideration received plus 6 per cent per annum of the unliquidated balance of the production payment computed monthly over the period of payment. The agreements also provide that no portion of the proceeds of sales of gas from the field will be applied to the liquidation of principal until January 1, 1965. Under the agreements, the portion of the proceeds of sales of gas applied in liquidation of principal may vary in 1965 from 9 per cent to 19 per cent, in 1966 from 19 per cent to 39 per cent and in 1967 and future years from 30 per cent to 60 per cent.

Under the above arrangements, production payments in the total principal sum of $7,250,000 and $7,750,000 were sold during the years ended December 31, 1963 and 1962, respectively. In addition, production payments in the principal sum of $600,000 and $1,200,000 were sold in 1962 and 1961, respectively, out of Occidental's interests in another

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

field to another purchaser. Following is a summary of significant data with respect to production payments sold in 1961, 1962 and 1963:

	Production Payments Sold in		
	1961	1962	1963
	(amounts in thousands)		
Production payments sold	$1,200	$8,350	$7,250
Provision for future production costs and depreciation, depletion and amortization	271	2,872	3,368
Net income from production payment sales	$ 929	$5,478	$3,882
Estimated amount of gas required to liquidate production payment (in thousand cubic feet) at September 30, 1964	450	37,434	30,838
Estimated year that production payments will be liquidated	1965	1971	1971

	Unliquidated Balance at			
	12/31/61	12/31/62	12/31/63	9/30/64
	(amounts in thousands)			
Year payment sold —				
1961	$1,200	$ 731	$ 331	$ 136
1962	—	8,130	7,823	7,750
1963	—	—	7,250	7,250
Cumulative unliquidated balance	$1,200	$8,861	$15,404	$15,136

No proceeds from sales of gas from the Lathrop field will be applied to liquidate principal until 1965 for 1962 sales and 1966 for 1963 sales.

Following is a summary of the reserve for estimated future production costs applicable to production payments:

Provision for future production costs applicable to gas production payments sold in 1961	$ 133,000
Balance, December 31, 1961	$ 133,000
Provision for future production costs applicable to gas production payments sold in 1962	575,000
Production costs incurred in 1962 applicable to gas produced and applied to liquidate gas production payments sold	(38,132)
Balance, December 31, 1962	$ 669,868
Provision for future production costs applicable to gas production payments sold in 1963	490,000
Production costs incurred in 1963 applicable to gas produced and applied to liquidate gas production payments sold	(59,287)
Balance, December 31, 1963	$1,100,581
Production costs incurred in 1964 applicable to gas produced and applied to liquidate gas production payments sold	(35,540)
Balance, September 30, 1964	$1,065,041

Under an alternative generally accepted method of accounting (now more commonly used and adopted by the company for production payments sold in 1964) for sales of carved-out production payments, proceeds from such sales are accounted for as deferred income to be included in sales as the oil or gas (or other mineral) required to liquidate such payments is produced. If, in connection with the cash received from the carved-out production payments,

Occidental had followed this alternative method, the amounts reported as net income for the years ended December 31, 1961, 1962 and 1963, would, as a matter of accounting, have been reduced by approximately $920,000, $4,954,000 and $3,501,000, respectively, and increased by $7,000 for the nine months ended September 30, 1964.

(b) Sulphur production payment —

During 1964 one of the company's subsidiaries sold a carved-out sulphur production payment in the amount of $2,000,000. Such amount, after deducting $228,000 representing sulphur produced to September 30, 1964, to partially liquidate such production payment, and after deducting a charge equivalent to tax benefits of $550,000 recognized in the accounting for oil and gas costs (see Note 6) which were occasioned by the sale of the sulphur payment, has been deferred and is separately shown on the balance sheet as deferred income.

(6) Property, plant and equipment — reserve provisions, capitalization and maintenance policies, etc. —

Property, plant and equipment is comprised of the following at September 30, 1964:

	Cost	Reserves for Depreciation, Depletion and Amortization	Net Book Value
Oil and gas operations—			
Leases and exploration costs	$28,673	$ 9,109	$19,564
Lease and well equipment	6,854	1,671	5,183
Drilling in progress	313	—	313
Drilling equipment	396	191	205
Other	1,111	170	941
	$37,347	$11,141	$26,206
Manufacturing and sulphur operations—			
Land, leaseholds, office and warehouse	$ 8,228	$ 1,298	$ 6,930
Plant and equipment	31,536	11,704	19,832
Construction in progress	436	—	436
	$40,200	$13,002	$27,198
	$77,547	$24,143	$53,404

Oil operations —

Prior to 1964, certain dry hole costs, lease abandonments, and certain exploration costs related to the domestic oil and gas operations of the Company and subsidiaries consolidated were charged to expense as incurred. Lease and drilling costs applicable to producing properties were capitalized and amortized over the productive lives of the properties on a lease by lease basis prior to 1961 and on a composite basis subsequent to that time. Geological, geophysical, certain drilling costs, and allocable land department costs were capitalized as costs of undeveloped leases.

In 1964, the Company and its subsidiaries retroactively changed their accounting for domestic oil and gas operations so that all costs of exploration for and development of oil and gas reserves are now capitalized. The total investment in oil and gas properties is being amortized (also retroactively applied) on a company-wide composite unit of production method over the estimated productive life of the Company's total domestic oil and gas reserves. The Company has also retroactively recognized certain tax benefits representing income taxes which would have been payable if certain items capitalized had not been deducted for income tax purposes in accumulated depreciation, depletion, and amortization.

The net effect of these changes was to increase income for the years 1956 through 1963 by $1,334,000, represented by an increase in cost of oil and gas properties of $5,818,000, less an increase in accumulated reserves of $4,484,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The accounting for Canadian oil and gas properties has been consistent with that now adopted for domestic oil and gas properties except for immaterial differences. Such accounting was changed in 1964 to conform with the accounting practice now followed by Occidental, which change did not have a material effect.

Depreciation of plant and equipment, except for those items discussed above, has been provided using the straight-line method based on the following useful lives:

Classification	Useful Lives
Drilling rig and equipment	3 to 10 years
Autos and other operating equipment	3 to 4 years
Leasehold improvements	5 to 40 years
Office and other equipment	10 years

The companies follow the policy of capitalizing major renewals or betterments. Repairs and maintenance are charged to expense as incurred. No gain or loss is recognized upon the sale or disposition of items related to oil operations, but in the case of equipment mentioned in the preceding paragraph, the cost and accumulated reserve are removed from the accounts and the gain or loss on disposition or retirement is carried to income.

Manufacturing and sulphur operations —

The consolidated subsidiaries engaged in manufacturing operations follow the policy of capitalizing property additions and major improvements at cost. Maintenance and repairs are charged to expense as incurred. Upon the retirement of a unit of property its cost and related accumulated depreciation are removed from the property accounts and the resulting gain or loss is treated as income or expense.

Estimated useful lives vary among the several classifications, as well as among the constituent items in such classifications, but generally the lives are as follows:

Buildings	20 - 30 years
Machinery and equipment	3 - 20 years
Office equipment	5 - 10 years
Leasehold improvements	3 - 10 years

Certain assets acquired subsequent to December 31, 1953, are depreciated on a double declining balance method and the remainder on a straight-line basis. One of the plant sites of The Best Fertilizers Company (a consolidated subsidiary) is leased (by an affiliated company and informally assigned to Best) from a raw material supplier at a nominal rental and an agreement to purchase certain raw materials at negotiated prices. The raw material purchase agreement applies only to this plant site.

Depreciation on sulphur mining and sulphur recovery properties is computed by use of the unit-of-production method based on estimated recoverable reserves.

Certain plants formerly operated by the Jefferson Lake Sulphur Company are now shutdown as operations of those plants have been discontinued. Such plants are included in property, plant and equipment at a cost of $3,171,000, less reserves for depreciation of $2,913,000 and the company's engineers estimate that the salvage value thereof is at least equal to the net amount at which they are carried.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Long-term debt —

Long-term debt of Occidental and consolidated subsidiaries, net of current maturities at September 30, 1964, is comprised of the following:

Occidental Petroleum Corporation —		
(a)	6½% convertible subordinated debentures, due 1978	$ 1,476,550
(b)	5⅛% note payable to bank	2,903,539
(c)	5⅛% notes payable to bank	2,000,000
(d)	Noninterest bearing notes payable	130,000
The Best Fertilizers Co. and Consolidated Subsidiaries and The Best Fertilizers Company —		
(e)	6% note payable to insurance company	2,300,000
(f)	5¼% note payable to insurance company	6,200,000
(g)	6½% note payable to bank	12,075
(h)	5¾% note payable to bank	255,000
(i)	5½% notes payable	154,889
(j)	5⅛% notes payable to bank	2,063,500
(k)	5⅛% notes payable to bank	770,000
Jefferson Lake Sulphur Company and Consolidated Subsidiary —		
(l)	6½% secured sinking fund debentures, due 1981	3,953,023
	5¾% note payable to bank, due 1969 payable $110,000 annually beginning February, 1965	407,220
	5¼% mortgage note, due 1973, payable in monthly installments	60,357
(m)	5⅛% notes payable to bank	6,976,150
		$29,662,303

(a) The 6½% convertible subordinated debentures were originally issued by S. V. Hunsaker & Sons under an indenture dated May 1, 1963. Occidental directly assumed principal and interest and all other obligations and conditions under a supplemental indenture dated July 15, 1964. The indenture provides for payments on April 30 in the years 1967 through 1977 for a sinking fund of a sum sufficient to redeem at 100% of the principal amount thereof $125,000 principal amount of debentures. Optional payments up to the amount of the mandatory payments may also be made. The indenture also places restrictions on the payment of cash dividends (See Note 9). At September 30, 1964, the portion of retained earnings so restricted was $7,560,000. The debentures are convertible into Occidental capital stock at conversion prices ranging from $25 per share to $37.50 per share. From September 30, 1964 to November 30, 1964, debentures of $762,350 have been converted into 30,494 shares of Occidental capital stock.

(b) The 5⅛% note payable to bank is secured by a mortgage, deed of trust and assignment on Occidental's interest in the McMullin Ranch gas field and is payable in annual installments commencing January 31, 1965 with the remaining outstanding balance due in December, 1971.

(c) The 5⅛% notes payable to bank were due in October, 1964. On October 7, 1964, Occidental completed negotiations for a long-term note agreement with the same bank. This agreement provides for a total amount of $15,000,000 at 5⅛% to be borrowed no later than June 30, 1965. On October 7, 1964, $5,000,000 was borrowed subject to this agreement, $2,000,000 of which was substituted for this balance. Notes payable under this latter note agreement are payable over a period ending in February, 1974, from 85% of Occidental's interest in gas sales proceeds from the Lathrop Gas Field excluding those accruing to royalty, participants' interests and to production payments. The agreement provides for a commitment fee of ¼% per annum on the undisbursed balance.

The loan is secured by a mortgage, deed of trust and assignment conveying right, title and interest in Occidental's interest in the Lathrop Gas Field.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) The noninterest bearing notes are unsecured obligations of Gene Reid Drilling, Inc. (a consolidated subsidiary) guaranteed by Occidental. The notes are payable $10,000 per annum commencing February 1, 1965.

(e) The 6% note payable to insurance company is due November 1, 1977, with prepayments of $230,000 due each year starting November 1, 1968.

(f) The 5¼% note is payable to the same insurance company mentioned in (e) above, and is due in annual installments of $620,000 from 1970 to 1979. Both notes are guaranteed by Occidental and contain covenants for, among other things, maintaining certain financial ratios. Under the terms of the loan agreements with the insurance company, retained earnings of The Best Fertilizers Co. and The Best Fertilizers Company were restricted as to payment of cash dividends by $4,028,166 at September 30, 1964.

(g) The 6½% installment note payable to bank is secured by a mortgage on one of the plant sites of The Best Fertilizers Company and is due in monthly installments of $1,342 to July, 1966.

(h) The 5¾% note payable to bank is an obligation of The Best Fertilizers Co. It is due in semiannual installments of $85,000 and is guaranteed by Occidental.

(i) The 5½% notes payable are due January 21, 1969. The notes are payable in monthly installments totaling $3,933, including interest, and are secured by all of the real estate, plant and equipment of Calam Storage Co. (a consolidated subsidiary of The Best Fertilizers Co.)

(j) The 5⅛% notes payable to bank totaling $2,063,500 are payable in 13 equal semiannual installments commencing May 1, 1965, with the balance payable in full on November 1, 1971. The loan is unsecured and guaranteed by Occidental. Under the terms of the loan agreement, California Ammonia Co. (consolidated subsidiary of The Best Fertilizers Co.) has agreed to the maintenance of certain current asset ratios and limitations on capital expenditures.

(k) The 5⅛% notes payable to bank totaling $770,000 are payable in 10 equal semi-annual installments commencing July 1, 1964. Under terms of the agreement The Best Fertilizers Company has agreed to maintain certain financial ratios. The loan is unsecured and guaranteed by Occidental.

(l) The 6½% secured sinking fund debentures are an obligation of Jefferson Lake Petrochemicals of Canada, Ltd. (a consolidated subsidiary of Jefferson Lake Sulphur Company). The indenture of mortgage provides for annual minimum fund payments of $150,000 (Canadian) commencing in 1963. There are certain restrictive provisions relating to working capital, payment of cash dividends, and the purchase by Petrochemicals of its own stock. The debentures are secured by a first fixed and specific pledge of the subsidiary's interest in the field gas purchase contract with Petrogas Processing, Ltd., the shares owned in Petrogas Processing, Ltd., all real property and fixed assets in the Calgary Field, and a first floating charge on all other present and future assets of the subsidiary.

(m) The 5⅛% notes payable to bank are due in quarterly installments from September 30, 1964 to March 31, 1972. The loan agreement includes certain restrictive provisions relating to the payment of cash dividends and provisions for the maintenance of minimum working capital. No cash dividends may be paid if the aggregate of all payments made after the date of the agreement exceed the aggregate amount of the net income of Jefferson Lake Sulphur Company computed for the period from December 31, 1963, to the date of the relevant cash payment. Retained earnings restricted under this provision at September 30, 1964, totaled $108,000. As collateral security Jefferson Lake Sulphur Company's investment in the stock of Jefferson Lake Petrochemicals of Canada, Ltd. is pledged. The loan is guaranteed by Occidental.

Minimum payments required on the long-term debt of the company and its consolidated subsidiaries after September 30, 1965, are summarized as follows:

Due before September 30, 1966	$ 4,672,449
Due before September 30, 1967	2,666,870
Due before September 30, 1968	2,660,240
Due before September 30, 1969	2,790,875
Due after September 30, 1969	16,871,869

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Commitments and contingent liabilities —

Prior to September 30, 1964, Occidental had guaranteed payment of a $4,000,000 bank loan of Chatham Realty Corporation, a non-related company. This loan, evidenced by a note payable was due March 31, 1966, and bore interest at 5⅛%. The loan was made by Chatham to finance its purchase of notes secured by second trust deeds from S. V. Hunsaker & Sons, Inc., an unconsolidated subsidiary of Occidental. See "Residential Construction" elsewhere in this Prospectus and Note 16 for comments regarding guarantee of subsequent borrowing by Chatham which refinanced this note.

Under terms of the Agreement and Plan of Reorganization between Occidental and S. V. Hunsaker & Sons, Occidental has guaranteed substantially all of the obligations of its unconsolidated subsidiary, S. V. Hunsaker & Sons, Inc. At September 30, 1964, the total liabilities are $46,300,000, plus any contingent liabilities, as reflected in the separate balance sheet of S. V. Hunsaker & Sons, Inc., included in another section of this prospectus.

In August 1964 Armour & Company, a Delaware corporation, instituted an action in the Court of Chancery of the State of Delaware naming as defendants Occidental Research and Engineering Corporation, International Ore & Fertilizer Corporation, and Occidental Petroleum Corporation. The complaint alleged that defendants are unlawfully acquiring from former employees of Armour, now employed by defendants, and using for their own benefit, certain trade secrets and confidential information belonging to Armour in the field of superphosphoric acid. Armour seeks an injunction restraining defendants from acquiring, or using, or benefiting from such trade secrets and confidential information and from employing the former Armour employees in any capacity which would require the disclosure by them of such trade secrets and confidential information. Armour also seeks an accounting from the defendants of all gains and profits resulting from the use by defendants of Armour's trade secrets and confidential information, together with damages. Research and Interore have filed answer denying all material allegations of Armour's complaint. Occidental is not subject to personal jurisdiction in Delaware and, therefore, has not appeared in the action.

On September 1, 1964, Armour also instituted an action in the United States District Court for the Middle District of Florida, naming as defendants six former Armour employees and also instituted a companion action in the United States District Court for the Southern District of California, naming as defendants four former Armour employees. The named defendants in both of these actions are now all employed by Occidental Petroleum Corporation or its subsidiaries. Armour's complaints alleged that the defendants had wrongfully disclosed, for Occidental's benefit, certain trade secrets and confidential information belonging to Armour in the field of superphosphoric acid. Armour seeks injunctions preventing the employees from disclosing, utilizing or benefiting from such trade secrets and confidential information, and an order directing the employees to deliver to Armour all physical embodiments of Armour's trade secrets and confidential information. The defendants have filed answers denying all material allegations of Armour's complaints and, in addition, they have filed counterclaims seeking to restrain Armour from wrongfully interfering with their employment relationship with Occidental.

In the opinion of special counsel for Occidental and Occidental's general counsel, Occidental, its subsidiaries and the individual employees who are parties to the action have a meritorious defense and should prevail. See also the caption "Litigation" herein.

In November, 1964, Occidental, two of its subsidiaries and one of its officers were named in an action in which a former employee seeks damages for an alleged breach of various contractual obligations. In the opinion of special counsel for Occidental and Occidental's general counsel, each of the defendants has a meritorious defense to the action and should prevail.

International Ore & Fertilizer Corporation (Interore) (an unconsolidated subsidiary) has entered into a contract for the purchase of a phosphate rock deposit in Hamilton County, Florida. The contract, performance of which is guaranteed by Occidental, provides that Interore is obligated to purchase all economically recoverable reserves of phosphate rock lying in and under a specified 5300-acre land parcel at a cost of 40¢ per ton. The minimum fixed obligation under the agreement is $4,500,000 payable in fifteen annual installments of $300,000. An initial $300,000 payment has been made by Interore, reducing the minimum fixed obligation at September 30, 1964, to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$4,200,000. Liability beyond the minimum exists only to the extent that additional economically recoverable reserves are present. The amount of such reserves is not presently known.

Occidental Corporation of Florida, Inc. (a consolidated subsidiary) will lease the phosphate deposit described above from Interore and operate the mine. Occidental of Florida has contracted for the purchase of a dragline, total cost $1,400,000, and construction of a phosphate beneficiation plant for $4,500,000 at the mine site. These contracts will be assigned to a non-profit corporation organized to promote industrial development in Hamilton County, Florida. This latter corporation will finance acquisition of these and other required facilities through the sale of first mortgage bonds in total principal amount of $10,110,000 and, if required, a second series not to exceed $1,890,000, and will pay principal and interest on the bonds from rental received under long-term lease of the facilities to Occidental of Florida. A favorable ruling relative to the tax exempt status of the bonds has been issued and arrangements for the sale of such bonds are proceeding.

The Best Fertilizers Co., a consolidated subsidiary, is committed to a raw material supply and storage contract providing for minimum purchases of $750,000 per annum for a five-year period commencing in 1969.

(9) Retained earnings —

On December 28, 1960, by action of the board of directors, without action by the shareholders (which action is not required under California law), Occidental charged off an $802,932 deficit in retained earnings against capital surplus. This amount was reduced by $206,263 (the amount of consolidated retained earnings of Signet Oil and Gas Co. and subsidiary as of January 1, 1960) to give retroactive effect to the pooling of interests with that company in 1961. These procedures permitted Occidental to reflect undistributed earnings subsequent to January 1, 1960, as retained earnings instead of as a reduction of the deficit charged off to capital surplus.

In connection with the pooling of interests with The Best Fertilizers Co. and The Best Fertilizers Company in 1963, an amount, equivalent to the net deficit ($782,660, representing the amount transferred in 1960 and prior years) previously charged to capital surplus was charged to retained earnings. This transaction was recorded retroactively as of December 31, 1962; accordingly, the retained earnings account is no longer dated.

As set forth in Note 7, loan agreements between certain of the subsidiaries and various lending agencies provide a restriction on retained earnings available for payment of cash dividends. The indenture covering the 6½ per cent convertible subordinated debentures provides a similar restriction. The consolidated retained earnings so restricted at September 30, 1964, are $7,560,000.

(10) Dividends —

A cash dividend of 25 cents a share and a 4 per cent stock dividend were declared by the board of directors in December, 1962, payable January 2, 1963. The cash dividend of $1,171,691 has been reflected in the financial statements as of December 31, 1962. The 4 per cent stock dividend has not been reflected in the financial statements as of December 31, 1962, but was recorded in January, 1963 (when 187,470 shares of capital stock in payment thereof were issued) by a transfer from retained earnings to capital stock and capital surplus of an amount equal to the fair value ($3,796,268) of the whole shares issued. Fractional shares were paid in cash.

In December, 1963, a 4 per cent stock dividend and a cash dividend of 25 cents per share were declared by the board of directors payable January 22, 1964. The 4 per cent stock dividend was not reflected in the financial statements as of December 31, 1963, but was recorded in January, 1964 (when 213,800 shares of capital stock in payment thereof were issued) by a transfer of retained earnings to capital stock and capital surplus of an amount equal to the fair value ($5,496,798) of the whole shares issued. Fractional shares were paid in cash.

In November, 1964, a 4 per cent stock dividend and a cash dividend of 25 cents per share were declared by the board of directors, payable in January, 1965.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Federal income taxes —

As a result of the deduction for tax purposes of certain items capitalized for financial statement purposes, and as a result of utilizing operating loss carryforwards created thereby, no Federal or Canadian income taxes have been paid by Occidental nor by Jefferson Lake Sulphur Company and its Canadian subsidiary during the five years and nine months ended September 30, 1964. Certain tax benefits relating to domestic oil and gas operations have been recognized in accumulated depreciation, depletion, and amortization (see Note 6).

Occidental follows the practice of filing consolidated tax returns including its wholly owned domestic subsidiaries and no taxes have been payable on such consolidated returns. Federal income taxes applicable to income of consolidated subsidiaries accounted for on a pooling of interests basis for periods prior to the dates they became subsidiaries have been shown in the consolidated statements of operations.

Certain consolidated subsidiaries, prior to becoming subsidiaries, had deferred income taxes applicable principally to the deduction, for Federal income tax purposes, of depreciation of certain property on an accelerated basis while using the straight line method for book accounting purposes. This amount is immaterial and is included in other liabilities. Such subsidiaries had also reduced their liability for Federal income taxes by the amount of the "Investment Credit" to be taken into income over the lives of the related assets. Such amount is also not material.

(12) Inventories —

Inventories are stated at the lower of average cost or market and are comprised of the following at September 30, 1964:

Finished goods	$4,696,000
Work in process	496,000
Raw material	1,386,000
Subtotal	$6,578,000
Material and supplies	704,000
Total	$7,282,000

Inventories used in the determination of cost of sales for the three years and nine months ended September 30, 1964, are as follows:

1961	$5,541,000
1962	5,235,000
1963	6,137,000
1964	6,578,000

(13) Stock options —

Options to purchase capital stock of Occidental have been granted to officers and employees under stock options plans adopted in 1959, 1960 and 1961. The option prices under the 1959 and 1960 plans were not less than 95 percent of fair market value at dates of grant.

The 1961 Employees' Stock Option Plan originally provided for the granting to officers and key employees of Occidental options to purchase an aggregate of 250,000 shares of capital stock at prices not less than 100 percent of the market value at date of grant. The granting of options under the plan was limited to 50,000 shares in any one year plus the number not issued in prior years. The board of directors of Occidental has amended the Plan, to increase the aggregate number of shares with respect to which options may be granted to 550,000 and the number of shares with respect to which options may be granted in any one year to 150,000 plus adjustments in accordance with the anti-dilution provisions of the Plan. On February 28, 1964, these amendments were approved by Occidental's shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Following is a summary of the transactions relating to these plans during the three years and nine months ended September 30, 1964, together with transactions relating to option obligations assumed in connection with the Jefferson Lake merger and S. V. Hunsaker acquisition:

		Option Price		Fair Value at Date of Grant or Exercise or When Exercisable	
	Number of Shares	Per Share	Total	Per Share	Total
Options Granted During Period					
1961	49,200	$10 to $19	$ 509,000	$10 to $19	$ 501,000
1962	52,572	$15.625 to $23.557	803,134	$15.625 to $23.557	796,884
1963	98,540	$24.399 to $30.769	2,567,262	$24.399 to $30.769	2,567,262
1964	204,342*	$23.438 to $31.731	6,097,117	$23.438 to $31.731	6,097,117
(Assumed Under Jefferson Lake Plan)					
1960	12,652*	$20.7136	262,061	$20.7136	262,061
1961	1,406*	$22.136	31,125	$22.136	31,125
(Assumed Under Hunsaker Plan)					
1963	1,560*	$19.231	30,000	$19.231	30,000
Options Which Became Exercisable During Period					
1961	35,999	$ 4 to $ 5.23	$ 153,426	$ 5.875 to $13.625	$ 305,111
1962	88,083	$ 3.85 to $18.27	540,716	$20.55 to $21.154	1,841,093
1963	54,350	$15.024 to $22.652	849,869	$19.671 to $31.01	1,506,966
1964	74,530*	$19.231 to $30.769	1,851,678	$27.64 to $32.93	2,180,079
Options Exercised During Period					
1961	44,672	$ 4 to $ 5.23	$ 194,682	$ 5.875 to $18.50	$ 425,345
1962	88,325	$ 3.85 to $ 9.62	481,608	$14.303 to $24.361	1,927,714
1963	19,036	$ 9.246 to $15.024	209,125	$24.76 to $32.091	544,934
1964	20,094*	$ 8.890 to $22.136	283,918	$23.798 to $33.533	590,710
Options Outstanding					
September 30, 1964	351,041*	$ 8.890 to $31.731			
Shares Reserved					
September 30, 1964	557,125*				

* The number of shares subject to purchase and the purchase price have been adjusted to give effect to the 4 per cent dividend declared November, 1964, in accordance with anti-dilution provisions of the plan.

No amounts have been reflected in the income account of Occidental or its consolidated subsidiaries with respect to stock options. Proceeds from the sales of stock are credited to capital stock (at par) and the amounts in excess of par are credited to capital surplus.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Options to purchase 21,475 shares of the capital stock of Jefferson Lake Sulphur Company were granted to certain of its employees under non-transferable five-year stock options during 1960 and 1961. These options, exercisable in equal installments over their terms with the right to cumulate unexercised installments, were granted at 100% of the fair market value on the date of grant except for one option granted at 96.5% of market value during 1962 and each option is conditioned upon the optionee's continued employment through the date of exercise as to any installment. During the three years and nine months period ending September 30, 1964, options to purchase 2000 shares were granted in 1961 at a market value of $31,125, 15,596 shares having an option price of $228,328 and market value of $209,872 became exercisable and 4,187 shares with option price of $61,112 and market value of $89,661 were exercised.

Upon the merger of Jefferson Lake Sulphur Company with and into Occidental, each such outstanding option was assumed by Occidental at the rate of .676 shares of Occidental for each share of Jefferson without any change in the aggregate option price or terms thereof.

Restricted stock options granted by S. V. Hunsaker & Sons to certain employees, exercisable in equal annual installments with respect to 25% of the shares optioned on each of the first, second, third and fourth anniversary dates of the option, were assumed by Occidental, at the time Hunsaker became a subsidiary, on the basis of one share of Occidental for each five shares of Hunsaker, without any change in the aggregate option price or the terms thereof. Options to purchase 7500 Hunsaker shares had been granted under the plan at market value of $30,000. 1500 shares became exercisable in 1964 having an option price of $6,000 and a market value of $11,644. None had been exercised.

As of December 31, 1962, The Best Fertilizers Co. (a consolidated subsidiary) had granted options to employees to purchase 25,195 shares of its common stock at $12.00 and $13.08 per share ($305,839 in the aggregate), which was determined to be not less than 95% of market value at grant date. These options were exercised in 1963 prior to the pooling of interests with Occidental described in Note 1. Based on the equivalent price per share of the capital stock of Occidental, the market value of the optioned common stock was $20.12 per share ($506,923 in the aggregate) when the options were exercised.

In 1963 options were granted to employees by The Best Fertilizers Company of Texas (a consolidated subsidiary) to purchase 17,000 shares of its capital stock at $16.57 per share ($281,690 in the aggregate). All of these options were exercised prior to the pooling of interests with Occidental described in Note 1. Based on the equivalent price per share of the capital stock of Occidental, the market value of the optioned stock was $19.83 per share ($337,110 in the aggregate) when the options were exercised.

Options to purchase stock of Jefferson Lake Petrochemicals of Canada, Ltd. were granted to certain of its employees (including an option granted May 3, 1960 to Eugene H. Walet, Jr. to purchase 3,150 shares at $5.75 [Canadian] per share) under non-transferable five-year stock options during 1960, 1963, and 1964. These options, exercisable in equal installments over their terms with the right to cumulate unexercised installments, were granted at 100% of the fair market value on the date of grant and each option is conditioned upon the optionee's continued employment through the date of exercise as to any installments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pertinent data with respect to these options is set forth below:

	Number of Shares	Option Price		Fair Value at Date of Grant or Exercise or When Exercisable	
		Per Share	Total	Per Share	Total
Options granted during period —					
1963	3,500	$5.8125	$ 20,344	$5.8125	$ 20,344
1964 (9 mo)	21,200	$8.50	180,200	$8.50	180,200
Options which became exercisable during period —					
1961	3,800	$5.75	$ 21,850	$7.75	$ 29,450
1962	3,680	$5.75	21,160	$5.50	20,240
1963	4,380	$5.75 to $5.82	25,234	$6.50 to $7.00	30,310
1964 (9 mo)	700	$5.75 to $5.82	4,074	$8.50	5,950
Options exercised during period —					
1961	2,980	$5.75	$ 17,135	$8.20	$ 24,443
1962	100	$5.75	575	$5.50	550
1963	4,690	$5.75 to $5.82	26,985	$6.90 to $7.50	32,531
1964 (9 mo)	6,090	$5.75 to $5.82	35,073	$9.10 to $9.50	55,560
Options Outstanding — September 30, 1964	5,840	$5.75	$ 33,580		
	2,140	$5.8125	12,439		
	21,200	$8.50	180,200		

(14) Warrants —

S. V. Hunsaker & Sons had issued warrants to purchase 20,000 shares of its capital stock at prices ranging from $5.50 to $6.40 per share during the period May 1, 1964, through April 30, 1968. The warrants were purchased for $1,000 on June 3, 1963. The warrants were directly assumed by Occidental and are exercisable with respect to 4,160 shares of Occidental capital stock at prices ranging from $26.44 to $30.77 per share.

Jefferson Lake Petrochemicals of Canada, Ltd. has issued non-redeemable warrants which entitle the holders to purchase an aggregate of 550,049 common shares at prices from $7 to $13 per share (Canadian) to June 1, 1971. Pursuant to the subsidiary's offer which terminated June 30, 1962, 50,049 Series B warrants were issued in exchange for Series A warrants previously outstanding on a share-for-share basis, and 8,551 Series A warrants not exchanged under this offer were redeemed. At September 30, 1964, there were outstanding warrants to purchase 549,849 common shares.

(15) Retirement income and insurance plans —

Under Jefferson Lake Sulphur Company's plan, Jefferson shall pay to the fund an amount equal to the difference between the combined contributions of the participants and the total cost of the plan. Any moneys which the fund may have accumulated through interest, dividends, investments, cancellations or otherwise, after payment of expenses, shall reduce the amount to be contributed by the company. The estimated annual cost to Jefferson is $115,000, which

amount will be in excess of 50% of the total cost of the plan. At September 30, 1964, Jefferson's liability for unfunded past service costs was approximately $368,000.

Petrochemicals has an insured contributory retirement pension plan, to which the participants contribute 5% of their compensation. The estimated annual cost of this plan is $33,000.

The Best Fertilizers Co. and The Best Fertilizers Company have retirement incentive pay plans which are non-contributory for employees and are based on profits. The total annual cost of these programs is approximately $190,000.

(16) Subsequent events — (including events after completion of audit examination)

In October 1964, The Best Fertilizers Co. (a consolidated subsidiary) borrowed $1,500,000 from a bank at 5⅛%. The borrowing is evidenced by a note payable due June 1, 1969, payable in semi-annual installments commencing December 1, 1964. The loan is unsecured, guaranteed by Occidental and the related agreement provides for maintenance of certain financial ratios.

In October 1964, California Ammonia Co. (a consolidated subsidiary) has borrowed an additional $530,000 at 5⅛% under terms of an existing loan agreement. (See Note 7, Item J.)

During October The Best Fertilizers Co. (a consolidated subsidiary) invested an additional $1,000,000 in California Ammonia Co. (Calamco) stock by purchasing 166,413 shares. Financing of expansion of California Ammonia Co. facilities is being handled by additional capital contribution and this purchase was necessary to maintain Best's percentage ownership in Calamco (53%).

In November and December 1964, Occidental borrowed the total remaining balance ($10,000,000) under the loan agreement referred to in Note 7, Item C.

In December 1964 Chatham Realty Corporation, a non-related company, borrowed $4,000,000 to finance further purchases of notes secured by second trust deeds from S. V. Hunsaker & Sons, Inc., an unconsolidated subsidiary of Occidental. In connection with this transaction a prior promissory note for $4,000,000 issued by Chatham in September 1964 (see Note 8) was cancelled and replaced by a new note for $8,000,000 bearing interest at 5¼% and due in three installments from December 31, 1965, to December 31, 1967. Payment of the $8,000,000 note has been guaranteed by Occidental. See "Residential Construction" elsewhere in this Prospectus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Supplementary Profit and Loss Information

Supplementary income account information for the three years and nine months ended September 30, 1964, is as follows:

	Charged Directly to Income			
	Cost of Sales or Operating Charges	Other	Charged Directly to Other Accounts	Total
Years ending in 1961 —				
Maintenance and repairs	$ 989,166	$ 36,264	—	$1,025,430
Depreciation, depletion and amortization	1,635,095	233,426	—	1,868,521
Taxes, other than Federal income taxes —				
Property taxes, state franchise and other	614,593	106,955	—	721,548
Payroll taxes	51,115	31,485	—	82,600
Management and service contract fees	55,813	—	—	55,813
Rents and Royalties	1,313,109	28,233	—	1,341,342
Provision for uncollectible accounts	—	114,359	—	114,359
Years ending in 1962 —				
Maintenance and repairs	$1,126,299	$ 34,722	—	$1,161,021
Depreciation, depletion and amortization	1,776,923	2,466,445	—	4,243,368
Taxes, other than Federal income taxes —				
Property taxes, state franchise and other	651,116	122,417	—	773,533
Payroll taxes	71,691	46,086	—	117,777
Management and service contract fees	74,947	—	—	74,947
Rents and Royalties	402,356	21,460	—	423,816
Provision for uncollectible accounts	—	119,507	—	119,507
Years ending in 1963 —				
Maintenance and repairs	$1,134,659	$ 39,746	—	$1,174,405
Depreciation, depletion and amortization	2,541,507	3,148,286	—	5,689,793
Taxes, other than Federal income taxes —				
Property taxes, state franchise and other	794,233	230,278	—	1,024,511
Payroll taxes	127,351	47,959	—	175,310
Management and service contract fees	—	—	—	—
Rents and Royalties	1,264,870	23,505	—	1,288,375
Provision for uncollectible accounts	—	—	—	—
Nine Months Ended September 30, 1964 —				
Maintenance and repairs	$1,251,660	$ 26,406	$ 43,991(1)	$1,322,057
Depreciation, depletion and amortization	1,996,244	62,640	616,398(2)	2,675,282
Taxes, other than Federal income taxes —				
Property taxes, state franchise and other	588,875	110,861	8,482(1)	708,218
Payroll taxes	167,393	52,283	11,809(1)	231,485
Management and service contract fees	—	—	—	—
Rents and Royalties	1,461,459	36,558	1,408(1)	1,499,425
Provision for uncollectible accounts	—	84,094	—	84,094

(1) Charged directly to preoperating or preproduction expenses.

(2) Includes $550,000 charged to deferred proceeds from sale of sulphur production payment (see note 5 of notes to consolidated financial statements) and $66,398 charged to preoperating or preproduction expense.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To S. V. Hunsaker & Sons, Inc.:

We have examined the balance sheet of S. V. Hunsaker & Sons, Inc. (a Delaware corporation) as of September 30, 1964, and the related statements of income and retained earnings and capital surplus for the nine months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and the related statements of income and retained earnings and capital surplus present fairly the financial position of S. V. Hunsaker & Sons, Inc. as of September 30, 1964, and the results of its operations for the nine months then ended in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
December 1, 1964.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
S. V. Hunsaker & Sons, Inc.

In our opinion, the accompanying statements of income, retained earnings, and capital surplus, prepared on the basis described in Note 1 to the financial statements, present fairly the results of operations of S. V. Hunsaker & Sons, Inc. (formerly S. V. Hunsaker & Sons) for the three years ended September 30, 1963, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Los Angeles, California
December 2, 1963

S. V. HUNSAKER & SONS, INC.

BALANCE SHEET

SEPTEMBER 30, 1964

ASSETS

CASH, including $207,863 held in trust		$ 1,068,296
NOTES AND CONTRACTS RECEIVABLE, from real estate sales, less reserve of $500,097 for doubtful accounts (Note 2)		20,662,571
ACCOUNTS RECEIVABLE:		
Trade and miscellaneous		333,483
Officers		409,942
Occidental Petroleum Corporation, parent company		300,000
RESIDENTIAL REAL ESTATE HELD FOR SALE OR INVESTMENT, at cost, including houses in process of construction (Note 3)		22,811,434
INVENTORY OF CONSTRUCTION MATERIALS HELD FOR SALE, at lower of cost (first-in, first-out) or market		360,985
INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES (Note 4)		433,262
RENTAL PROPERTIES, INCLUDING LAND, at cost (Note 5):		
Apartments —		
Completed	$ 9,777,981	
Under construction	1,232,654	
Other	77,796	
	$11,088,431	
Less — reserves for depreciation	465,186	10,623,245
PROPERTY AND EQUIPMENT, at cost (Note 6):		
Land	$ 132,765	
Buildings	150,066	
Equipment and furniture	342,489	
Leasehold improvements	63,257	
	$ 688,577	
Less — reserves for depreciation and amortization	228,594	459,983
OTHER ASSETS:		
Organization and merger costs, less amortization		143,192
Deferred financing costs, less amortization		260,859
Prepaid expenses		38,915
		$57,906,167

The accompanying notes are an integral part of this balance sheet.

S. V. HUNSAKER & SONS, INC.
BALANCE SHEET
SEPTEMBER 30, 1964

LIABILITIES

NOTES PAYABLE (Note 7):		
Trust deed notes relating to —		
Residential real estate held for sale or investment		$16,196,734
Houses sold under conditional sales contracts		12,714,138
Rental properties, including land		9,711,904
Land and buildings		203,388
Notes payable secured by notes and contracts receivable —		
Assignment of second trust deed notes		895,217
Portion of equity in conditional sales contracts		914,907
Equipment contracts payable		483,518
Unsecured notes payable to bank		3,000,000
Other (partially secured)		149,923
		$44,269,729
ACCOUNTS PAYABLE AND ACCRUED EXPENSES		2,075,522
DEFERRED FEDERAL INCOME TAXES (Note 8)		2,997,937
DUE TO OCCIDENTAL PETROLEUM CORPORATION, parent company (Note 8)		1,796,000
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)		
CAPITAL STOCK AND SURPLUS:		
Capital Stock, $10 par value —		
Authorized — 100,000 shares		
Issued and outstanding — 100 shares	$ 1,000	
Capital surplus (Note 1)	2,037,655	
Retained earnings (Note 1)	4,728,324	6,766,979
		$57,906,167

The accompanying notes are an integral part of this balance sheet.

S. V. HUNSAKER & SONS, INC.

Statements of Income and Retained Earnings for the Three Years Ended September 30, 1963 and the Nine Months Ended September 30, 1964

	Year ended September 30, 1961	1962	1963	Nine Months Ended September 30, 1964
INCOME:				
Sales of residential real estate and land	$10,169,328	$13,773,722	$17,500,850	$16,771,766
Sales of apartments	—	—	780,000	8,282,021
Sales of lumber	—	1,208,300	2,033,860	1,758,425
Apartment rentals	—	39,840	623,709	1,088,211
Interest	956,738	1,279,239	1,587,294	1,210,078
Miscellaneous	79,359	100,169	229,087	104,043
	$11,205,425	$16,401,270	$22,754,800	$29,214,544
OPERATING COSTS AND EXPENSES:				
Cost of residential real estate and land sales	$ 8,161,388	$11,310,798	$14,585,033	$13,987,823
Cost of apartment sales	—	—	653,083	7,184,255
Cost of lumber sales	—	1,130,944	1,914,960	1,600,668
Rental apartment operating expenses	—	58,750	786,959	1,485,658
Selling, general and administrative	816,657	1,138,100	1,466,515	1,668,890
Interest and debt expense	1,118,938	1,254,694	1,706,156	1,415,550
	$10,096,983	$14,893,286	$21,112,706	$27,342,844
Net income before provision for Federal income taxes	$ 1,108,442	$ 1,507,984	$ 1,642,094	$ 1,871,700
PROVISION FOR FEDERAL INCOME TAXES (Note 8):				
Current	$ 47,076	$ 90,288	$ 50,000	$ 396,000
Deferred	520,924	676,712	789,000	276,000
	$ 568,000	$ 767,000	$ 839,000	$ 672,000
Net income	$ 540,442	$ 740,984	$ 803,094	$ 1,199,700
RETAINED EARNINGS, BEGINNING OF PERIOD	1,858,076	2,398,518	2,543,802	3,346,896
ADD (DEDUCT):				
Net income (unaudited), for the three months ended December 31, 1963 (Note 1)	—	—	—	215,553
Excess of par value of common stock issued over the combined stated capital of the predecessor companies (Note 1)	—	(595,700)	—	—
Cash dividends, including $11,250 paid during the 3 months ended December 31, 1963	—	—	—	(33,825)
RETAINED EARNINGS, END OF PERIOD	$ 2,398,518	$ 2,543,802	$ 3,346,896	$ 4,728,324

The accompanying notes are an integral part of these statements.

S. V. HUNSAKER & SONS, INC.

STATEMENTS OF CAPITAL SURPLUS

For the Three Years Ended September 30, 1963 and the Nine Months Ended September 30, 1964

	Year Ended September 30, 1961	1962	1963	Nine Months Ended September 30, 1964
BALANCE, BEGINNING OF PERIOD	$ —	$ —	$100,000	$ 315,760
PREDECESSOR COMPANY TRANSACTIONS (Note 1):				
Capital arising from contribution of common stock	—	100,000	—	—
Excess of proceeds from sales of common stock over its par value	—	—	215,760	—
Issuances of common stock upon conversion of debentures	—	—	—	9,272
TRANSACTIONS RELATING TO TRANSFER OF NET ASSETS FROM PREDECESSOR COMPANY (Note 1):				
Assumption of 6½% convertible subordinated debentures, and related accrued interest and deferred debt expense by parent company	—	—	—	906,933
Assumption of common stock warrants by parent company	—	—	—	1,000
Par value of common stock of predecessor company	—	—	—	804,690
BALANCE, END OF PERIOD	$ —	$100,000	$315,760	$2,037,655

The accompanying notes are an integral part of these statements.

S. V. HUNSAKER & SONS, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 1964

(1) Basis of preparation of financial statements —

On April 30, 1962, S. V. Hunsaker & Sons (the predecessor company) acquired for common stock the net assets of twelve corporations and two partnerships, all with similar operations and which had been related through common ownership and management. S. V. Hunsaker & Sons issued 750,000 shares of its $1 par value common stock in exchange for the net assets of its predecessor companies. In accounting for the combination, the retained earnings of the predecessors was reduced by $595,700 representing the excess of the par value of the common stock issued over their combined stated capital. For 1962 and prior years these statements were prepared by combining assets, liabilities and operations, restated to a common fiscal year ending September 30, in accordance with the pooling of interest accounting concept. The accompanying financial statements for the nine months ended September 30, 1964, were prepared to conform to the calendar year reporting basis of its parent company, Occidental Petroleum Corporation. Net income (unaudited) for the three months ended December 31, 1963, which has not been included in the statements of income has been included in the statement of retained earnings for the nine months ended September 30, 1964.

In November 1962, the stockholders of S. V. Hunsaker & Sons (the predecessor company) contributed 100,000 shares of its common stock to S. V. Hunsaker & Sons. These shares were retired by that company and by resolution of its Board of Directors the par value ($100,000) of such shares was transferred, effective September 30, 1962, from common stock to capital surplus.

In July, 1964, Occidental Petroleum Corporation exchanged 160,938 shares of its capital stock for the assets and liabilities of S. V. Hunsaker & Sons. All of the net assets so acquired were transferred to S. V. Hunsaker & Sons, Inc., a wholly owned subsidiary incorporated in Delaware on June 23, 1964, and all of the liabilities of S. V. Hunsaker & Sons were assumed by such subsidiary (the assumption being guaranteed by Occidental) except for (1) the 6½% convertible subordinated debentures and related accrued interest, net of deferred debenture costs ($906,933), and (2) warrants to purchase 20,000 shares of the common stock of S. V. Hunsaker & Sons at prices ranging from $5.50 to $6.40 per share during the period from May 1, 1964 through April 30, 1968 ($1,000), which were assumed by Occidental.

These transactions have been accounted for as a pooling of interests and, accordingly, the book values of the assets and liabilities transferred to S. V. Hunsaker & Sons, Inc. and its retained earnings were carried forward.

(2) Notes and contracts receivable —

Notes and contracts receivable from sales of residential real estate which are represented by conditional sales contracts (wherein title to the property does not pass to the purchaser until the purchase price has been fully paid) and second trust deed notes comprised the following:

Conditional sales contracts	$16,500,821
Second trust deed notes	4,661,847
	$21,162,668
Less — reserve for doubtful accounts	500,097
	$20,662,571
Approximate amount due within one year	$ 700,000

The notes and contracts receivable are due in installments for periods up to 30 years. In the event of default the second trust deed notes are subordinate to first trust deed notes held by various financial institutions.

All of the conditional sales contracts relate to houses which are encumbered by notes payable secured by first deeds of trust. A portion of Hunsaker's equity in conditional sales contracts (balance receivable on individual sales contracts less the related first trust deed indebtedness) is pledged as collateral for notes payable. Contract equities so pledged, represented by second trust deeds given by Hunsaker, totaled $2,945,000 at September 30, 1964. (See Note 7.)

Second trust deeds receivable in the amount of $2,089,000 were pledged as collateral for notes payable at September 30, 1964. (See Note 7.)

NOTES TO FINANCIAL STATEMENTS (Continued)

(3) Residential real estate held for sale or investment —

Residential real estate held for sale or investment comprised the following:

Houses in process of construction, including land	$ 8,912,084
Completed houses, including land	5,062,102
Land and land purchase options	6,536,713
Repossessed houses	2,300,535
	$22,811,434

Houses in process of construction, completed houses, and land and land purchase options are stated at cost which includes interest charges and property and other taxes incurred prior to sale.

Repossessed houses are stated at the unpaid balance, at time of repossession, of either the conditional sales contracts or second trust deed notes and related first trust deed notes assumed upon repossession plus expenses of preparing the houses for resale.

Residential real estate held for sale or investment is encumbered by trust deeds securing construction loans and notes payable (See Note 7).

(4) Investments in and advances to affiliated companies —

	Ownership	Advances	Investment	Carrying Value
Joint Ventures —				
College View	50%	$ 40,407	$ —	$ 40,407
Rose Park	50%	9,105	2,500	11,605
SVH & LC Development Co.	50%	355,250	16,000	371,250
Sunshine Landscaping, a corporation	50%	—	10,000	10,000
		$404,762	$ 28,500	$433,262

Income or loss from the joint ventures will be recorded by Hunsaker on the basis of the fiscal years of such joint ventures. Income from Sunshine Landscaping will be recorded as dividends are received. As of September 30, 1964, no income or losses had been reported by the joint ventures and no dividends had been received.

(5) Rental properties, including land —

Rental properties completed and in process of construction, including land, are stated at cost, which includes interest charges and property and other taxes incurred during the construction period, comprised the following:

Apartments:	
Completed —	
Land and land improvements	$ 2,100,597
Buildings	6,679,231
Furniture	998,153
	$ 9,777,981
Under construction (including land and land improvements of $279,789)	1,232,654
Other rental properties (including land of $35,863)	77,796
	$11,088,431

NOTES TO FINANCIAL STATEMENTS (Continued)

Depreciation on completed rental properties is provided on a straight-line basis using estimated useful lives as follows:

Buildings	30 to 33⅓ years
Land improvements	10 to 20 years
Furniture	3 to 10 years

The depreciable life of apartment buildings used for computing depreciation provisions for the year ended September 30, 1964 has been extended to 30 years from 25 years. The effect of such change upon the operating results of Hunsaker and upon its financial position is not significant.

Expenditures for renewals and betterments are capitalized; maintenance and repair costs are charged to income as incurred. When assets are retired or otherwise disposed of, the accounts are relieved of costs and accumulated depreciation, and any profit or loss on disposition is credited or charged to income.

Rental properties are encumbered by trust deeds securing construction loans and notes payable and substantially all of the furniture is pledged as collateral for equipment contracts payable (See Note 7).

(6) Property and equipment —

Depreciation on all property and equipment acquired prior to 1959 and on certain automotive equipment purchased subsequently is provided on a straight line basis. Certain assets acquired subsequent to 1959 are depreciated on the double declining balance method. Estimated lives used in computing depreciation for property and equipment are as follows:

Buildings	33⅓ years
Equipment and furniture	3 to 10 years
Leasehold improvements	Term of lease

Expenditures for renewals and betterments are capitalized; maintenance and repair costs are charged to income as incurred. When assets are retired or otherwise disposed of, the accounts are relieved of costs and accumulated depreciation, and any profit or loss on disposition is credited or charged to income.

Substantially all of the property is encumbered by first trust deeds securing notes and equipment is pledged as collateral for conditional sales contracts (See Note 7).

NOTES TO FINANCIAL STATEMENTS (Continued)

(7) Notes Payable —

The terms of the notes payable and principal payment requirements for the next five years are as follows:

Description	Interest Rates	Due Dates	Balance September 30, 1964	Principal Payments During Year Ending September 30, 1965	1966	1967	1968	1969	Balance November 30, 1964 (Unaudited)
Trust deed notes relating to —									
Residential real estate held for sale or investment —									
Completed houses including land	6.25 to 6.6%	Sale of houses	$ 4,973,078	$ 4,973,078	$ —	$ —	$ —	$ —	$ 8,070,155
Houses in process of construction, including land	6.25 to 6.6%	Sale of houses	5,459,606	5,459,606	—	—	—	—	1,305,228
Land and land purchase options	6 to 10%	Various	4,076,050	3,339,720	607,836	128,494	—	—	8,438,997
Repossessed houses	6.6 to 7%	Sale of houses	1,688,000	1,688,000	—	—	—	—	1,472,800
			$16,196,734	$15,460,404	$ 607,836	$ 128,494	$ —	$ —	$19,287,180
Houses sold under conditional sales contracts	6.6 to 7%	Monthly installments	12,714,138	285,556	313,400	345,820	369,087	396,931	12,355,130
Rental properties, including land, completed and under construction	6.25 to 7.25%	Monthly installments	9,711,904	222,366	243,373	264,379	359,087	299,926	9,776,941
Land and buildings	7.2 to 10%	Monthly installments	203,388	14,580	52,686	5,760	5,760	5,760	203,388
Notes secured by notes and contracts receivable —									
Assignment of second trust deed notes	6.6 to 10%	Monthly installments	895,217	695,217	100,000	100,000	—	—	799,813
Portion of equity in conditional sales contracts	8 to 10%	Monthly installments	914,907	214,907	100,000	100,000	400,000	100,000	630,897
Sub total — (secured by real estate)			$40,636,288	$16,893,030	$1,417,295	$ 944,453	$1,133,934	$ 802,617	$43,053,349
Equipment contracts payable	Various	Monthly installments	483,518	178,103	170,739	134,676	—	—	438,684
Unsecured notes payable to bank	4¾ %	Various	3,000,000	3,000,000	—	—	—	—	5,000,000
Other (partially secured)	6 to 10%	Various	149,923	111,007	9,290	9,725	10,175	7,436	40,845
			$44,269,729	$20,182,140	$1,597,324	$1,088,854	$1,144,109	$ 810,053	$48,532,878

The above notes payable relating to houses in process of construction and rental properties under construction exclude $2,487,660 and $437,755 respectively, which represent funds still available at September 30, 1964, to complete the construction of the houses and rental properties. These funds are withdrawn as construction costs, including land purchases, are incurred. Such construction loans, although classified as due in the next year, normally are replaced by long-term financing.

NOTES TO FINANCIAL STATEMENTS (Continued)

8) Federal income taxes —

Profits from sales of houses (taxable as ordinary income) are recognized for financial statement purposes in the period in which the sales were made. However, for Federal income tax purposes, Hunsaker and its predecessor companies have consistently reported profits on such sales as collections on the applicable installment obligations were received. As a result, a substantial portion of the Federal income taxes applicable to such income is payable on a deferred basis.

Hunsaker plans to file a consolidated Federal income tax return with its parent, Occidental Petroleum Corporation. It is anticipated that no Federal income taxes will be paid based on the consolidated return. Accordingly, Federal income taxes which would be otherwise currently payable have been shown as due to Occidental.

(9) Commitments and contingent liabilities —

Hunsaker's commitments and contingent liabilities as of September 30, 1964, are as follows:

(a) If all properties for which purchase option agreements had been executed at September 30, 1964 are subsequently purchased, the purchase prices (net of option payments) will approximate:

Options	$7,500,000
Purchase Agreements	180,000
	$7,680,000

(b) As a participant in a number of joint ventures (see Note 4), Hunsaker is contingently liable on a joint and several basis for the liabilities of such joint ventures which approximate $2,314,000.

(c) Hunsaker has contingent liability in connection with obligations to lending institutions which are secured by first deed of trusts on residential units in cases where Hunsaker sold such units but no express substitution of debtors was made. Although the total amount of the obligations is approximately $33,000,000, the contingent liability is only as to the excess of the indebtedness over the value of the security. It is the opinion of management that Hunsaker will incur no loss in view of the fact that the security is substantially in excess of the indebtedness and the procedure for obtaining deficiency judgments against the debtor is cumbersome and not utilized in the trade.

(10) Supplementary profit and loss information —

	Charged Directly to Profit and Loss		Capitalized in Real Estate Projects	Total
	Cost of Sales	Other		
Nine months ended September 30, 1964 —				
Maintenance and repairs	$ 26,367	$127,101	$ —	$153,468
Depreciation and amortization	34,035	473,619	—	507,654
Taxes other than income taxes —				
Payroll	69,612	22,223	49,598	141,433
Property	18,573	121,428	18,824	158,825
Rents and royalties	24,240	5,145	—	29,385
Provision for doubtful accounts	—	309,302	—	309,302
Year ended September 30, 1963 —				
Maintenance and repairs	$ —	$ 82,865	$ —	$ 82,865
Depreciation and amortization	—	366,502	—	366,502
Taxes other than income taxes —				
Payroll	44,129	28,790	34,600	107,519
Property	49,902	—	27,723	77,625
Franchise	—	9,821	—	9,821
Provision for doubtful accounts	—	253,863	—	253,863

Property and payroll taxes on real estate development projects are capitalized as a part of the costs of the projects in the approximate amounts of $55,000 and $77,000 in the years ended September 30, 1961 and 1962, respectively. Maintenance and repairs and depreciation are immaterial in amount and are not set forth herein for 1961 and 1962.

There were no management or service contract fees during the period under review.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To International Ore & Fertilizer Corporation:

We have examined the consolidated balance sheet of INTERNATIONAL ORE & FERTILIZER CORPORATION (a California corporation) and consolidated subsidiaries as of September 30, 1964, and the related statement of consolidated income and retained earnings for the periods December 11, 1963 through December 31, 1963 and the nine months ended September 30, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related statement of consolidated income and retained earnings present fairly the financial position of International Ore & Fertilizer Corporation and consolidated subsidiaries as of September 30, 1964, and the results of their operations for the periods December 11, 1963 through December 31, 1963 and the nine months ended September 30, 1964 in conformity with generally accepted accounting principles consistently applied.

ARTHUR ANDERSEN & CO.

New York, New York,
December 1, 1964.

INTERNATIONAL ORE & FERTILIZER CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1964

ASSETS

CURRENT ASSETS:		
Cash		$ 2,300,192
Trade receivables and acceptances —		
Customers, less reserve of $51,931	$9,237,981	
Subsidiaries and affiliates not consolidated (Note 2)	1,737,654	10,975,635
Note receivable (Note 4)		702,723
Accumulated costs on orders in process (Note 4)		1,083,858
Prepaid items, etc.		84,573
Total current assets		$15,146,981
INVESTMENTS AND ADVANCES:		
Subsidiaries and affiliates not consolidated (including advances of $535,108), at cost, less reserve (Note 2)	$ 745,800	
Other investments, at cost	192,289	938,089
PROPERTY AND EQUIPMENT:		
Mineral deposit (Note 3)	$4,500,000	
Office furniture and equipment, at cost, less accumulated depreciation of $54,919 (Note 6)	53,398	4,553,398
GOODWILL, cost of net assets of acquired business in excess of underlying book value at date of acquisition net of amortization (Note 1)		1,379,914
		$22,018,382

LIABILITIES

CURRENT LIABILITIES:		
4½% bank loans (Note 4)		$ 882,723
Accounts and acceptances payable		13,084,496
Accrued liabilities		93,653
Current portion of long-term liability under mineral deposit purchase agreement		300,000
Total current liabilities		$14,360,872
LONG-TERM LIABILITY UNDER MINERAL DEPOSIT PURCHASE AGREEMENT (Note 3)		3,900,000
DUE TO OCCIDENTAL PETROLEUM CORPORATION (parent company)		691,567
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)		
CAPITAL STOCK AND SURPLUS:		
Common stock, par value $1 per share, authorized 25,000 shares, outstanding 1,000 shares	$ 1,000	
Capital surplus (Note 1)	2,741,778	
Retained earnings, per accompanying statement	323,165	3,065,943
		$22,018,382

The accompanying notes are an integral part of this consolidated balance sheet.

INTERNATIONAL ORE & FERTILIZER CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

For the Period December 11, 1963 (date of acquisition — Note 1) Through December 31, 1963 and the Nine Months Ended September 30, 1964

	For the Periods	
	December 11, 1963 to December 31, 1963	Nine Months Ended September 30, 1964
SALES	$ 5,926,032	$54,288,378
COST OF SALES	5,621,466	52,202,248
Gross profit (Note 2)	$ 304,566	$ 2,086,130
OPERATING EXPENSES	188,669	1,481,862
Income before provision for Federal taxes on income	$ 115,897	$ 604,268
PROVISION FOR FEDERAL INCOME TAXES (Notes 1 and 5)	62,000	335,000
Net income	$ 53,897	$ 269,268
RETAINED EARNINGS, BEGINNING OF PERIOD	—	53,897
RETAINED EARNINGS, END OF PERIOD	$ 53,897	$ 323,165

The accompanying notes are an integral part of this consolidated statement.

INTERNATIONAL ORE & FERTILIZER CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations —

International Ore and Fertilizer Corporation (Interore-California) was incorporated in California on August 7, 1964. Occidental Petroleum Corporation (parent company) contributed to Interore-California its wholly owned subsidiary, International Ore and Fertilizer Corporation of Delaware (Interore-Delaware) on August 7, 1964.

Interore-Delaware, which was incorporated in Delaware on November 12, 1963, acquired on December 11, 1963, substantially all of the business and assets of Ridgefield Commercial Corporation, a New York corporation (prior to December 11, 1963 named International Ore & Fertilizer Corporation) and assumed the liabilities as of such date. The assets and liabilities acquired were recorded at the amounts shown in the accounts of the predecessor with the cost (represented by the market value of the stock of the parent company, Occidental Petroleum Corporation, issued therefor) in excess of underlying book value at date of acquisition being recorded as an intangible asset. This intangible asset will be amortized over a 20-year period commencing in 1964.

The contribution of Interore-Delaware by Occidental Petroleum Corporation to Interore-California has been treated in the accompanying consolidated financial statements as an economic merger and, accordingly, the retained earnings of Interore-Delaware have been carried forward and the capital stock ($1,000,000) plus the capital surplus ($1,741,778) of Interore-Delaware have been included as capital surplus. There have been no other changes in capital surplus since December 11, 1963.

(2) Basis of Statement Presentation —

The consolidated financial statements include the accounts of all wholly owned domestic subsidiaries.

Receivables from subsidiaries and affiliates not consolidated contain intercompany profit of $95,000. The intercompany profit on sales to such subsidiaries and affiliates included in consolidated income amounts to $80,600 for the nine months ended September 30, 1964, and $44,000 for the period from December 11, 1963 to December 31, 1963.

Investments in and advances to foreign subsidiaries and foreign affiliates are stated at the lower of cost or underlying book value.

Approximately $445,000 of investments and advances is represented by monies invested in or advanced to companies in the preoperating phase of business. Additional financing will be required for the subsidiaries or affiliates to become operational.

Reference is made to the international operation section of this prospectus.

(3) Purchase of Mineral Deposit —

On September 1, 1964, Interore (California) entered into a contract covering the purchase of a phosphate rock deposit in Hamilton County, Florida. The purchase price will be based upon the number of economically recoverable tons of phosphate rock as determined by geological survey at the rate of $.40 per ton. Interore has the obligation to submit a geological survey within a 14-year period, at which time the purchase price will be fixed. Pursuant to the purchase agreement, Interore has delivered to the seller a mortgage on the property and has made an initial payment of $300,000 and is required to make minimum payments of $300,000 per year over 14 years. All payments will be applied against the total minimum purchase price of $4,500,000 at the rate of $.40 per ton. Interore has recorded the mineral deposits of phosphate rock as an asset and a corresponding liability based upon the minimum purchase price under the contract.

Interore has leased the right to mine and market the phosphate rock to Occidental Corporation of Florida (a wholly owned subsidiary of Occidental Petroleum Corporation) and is to receive a royalty, subject to certain adjustments, of $.45 for each ton of phosphate rock sold or removed.

(4) 4½ Percent Bank Loans —

Interore has pledged the note receivable of $702,723 and accumulated costs in process of $180,000 as security for bank loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Provision for Federal taxes on income —

Interore intends to file a consolidated Federal income tax return with its parent, Occidental Petroleum Corporation, and it is anticipated that no Federal income taxes will be paid based upon the consolidated return. Accordingly, the contra payable to the provision for Federal taxes on income has been reflected as due to Occidental Petroleum Corporation in the accompanying financial statements.

(6) Depreciation and maintenance —

Depreciation is computed on a straight-line basis at an annual rate approximating 10 per cent.

Maintenance and repairs are charged against income as incurred. The cost of property additions, including betterments, and the cost of replacements and renewals of major units of property, are charged to the property accounts. Units of property replaced, sold or abandoned, are credited to the property accounts and charged to the depreciation reserve and the difference (if any) is credited or charged to income.

The investment credit (approximately $500) has been recorded as a reduction in the provision for Federal taxes on income.

(7) Commitments and contingent liabilities —

At September 30, 1964, Interore and its consolidated subsidiaries were contingently liable for approximately $3,255,000 under unused balances of letters of credit in favor of suppliers.

Interore has leased office space at an annual rental of approximately $135,000 for a 10-year period commencing in 1965.

Interore and certain of its subsidiaries are defendants in litigation in which the ultimate liability, if any, cannot be presently determined; however, in the opinion of counsel, any ultimate liability will not be material in relation to the company's consolidated financial position.

Reference is made to the litigation section of this prospectus.

(8) Supplementary income information (all charged to operating expenses during the periods) —

	For the Periods	
	December 11, 1963 to December 31, 1963	Nine Months Ended September 30, 1964
Maintenance and repairs	$ 2,798	$ 8,035
Depreciation and amortization	$ 533	$60,563
Taxes other than income taxes —		
Payroll	$ 479	$18,586
State franchise	6,753	39,000
Other	486	1,891
	$ 7,718	$59,477
Rents and royalties	$ 2,566	$31,450

ADDITIONAL INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office at Washington, D. C., upon payment of the fee prescribed by the rules and regulations of the Commission.

OCCIDENTAL PETROLEUM CORPORATION

1,110,022 Shares

Capital Stock

PROSPECTUS

Dated January 19, 1965

LONG TERM DEBT

The following is a tabulation of the long term debt of Occidental and its consolidated subsidiaries as at December 31, 1964.

	INTEREST RATE	PRINCIPAL BALANCES DUE BEYOND ONE YEAR
Occidental Petroleum Corporation —		
Notes payable to bank due 1971 and 1974 secured by Occidental's interest in certain gas fields	5⅛%	$15,397,000
Convertible subordinated debentures due 1978	6½%	240,000
Other notes payable	—	130,000
The Best Fertilizers Co. and consolidated subsidiaries —		
Note Payable due 1977	6%	2,300,000
Note Payable due in annual installments from 1970 to 1979	5¼%	6,200,000
Notes Payable to bank due in semi-annual installments from 1964 to 1971	5⅛%	3,227,000
Various notes (payable in varying installments)	6½%	1,540,000
Jefferson Lake Sulphur Company and consolidated subsidiary —		
Sinking fund debentures of Jefferson Lake Petrochemicals of Canada, Ltd. (a consolidated subsidiary) secured by its interest in a gas processing company and real property and fixed assets in the Calgary gas field	6½%	3,952,000
Notes payable to bank secured by investment in stock of Jefferson Lake Petrochemicals of Canada, Ltd., due in quarterly installments from 1964 to 1972	5⅛%	6,795,000
Other notes payable, due 1969 to 1973	5¼% to 5¾%	466,000
		$40,247,000

CAPITAL STOCK

The authorized capital stock of the Company consists of 10,000,000 shares of capital stock, par value $ .20 per share, its only class of stock. As of March 31, 1965, there were outstanding 7,770,610 shares, not including 16,543 treasury shares which cannot be voted at the meetings of shareholders.

Reference is made to Pages 41 and 42 of the Prospectus for a full description of Occidental's capital stock, including restrictions on the payment of dividends. In May, 1965, when the debentures of S. V. Hunsaker & Sons have been discharged, the amount of consolidated earnings so restricted will be reduced to approximately $4,000,000.

DIVIDENDS

The dividend record of the Company for the past ten years is as follows:

DATE PAID	CASH DIVIDENDS	STOCK DIVIDENDS
January, 1963	25¢ per share	4%
July, 1963	25¢ per share	
January, 1964	25¢ per share	4%
August, 1964	25¢ per share	
January, 1965	25¢ per share	4%

OPTIONS TO PURCHASE CAPITAL STOCK

Reference is made to Pages 39, 40 and 41 of the Prospectus for information regarding Occidental's 1961 Employees' Stock Option Plan and other options and warrants outstanding at December 15, 1964.

Between the dates of December 16, 1964, and March 31, 1965, options to purchase an aggregate of 12,600 shares have been granted under the Plan at exercise prices ranging from $26.88 per share to $29.25 per share. Options exercised were: 18,176 shares pursuant to the Plan and 914 shares pursuant to Jefferson Lake Sulphur Company options assumed. Options covering 4,426 shares were cancelled by termination of employment of the optionees.

LISTING ON OTHER STOCK EXCHANGES

The capital stock of the Company is presently listed on the New York Stock Exchange and the Pacific Coast Stock Exchange.

The common stock of Jefferson Lake Petrochemicals of Canada Ltd. is listed on the American Stock Exchange, and The Toronto Stock Exchange.

FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

ANNUAL MEETINGS

The By-Laws of the Company provide that the annual meeting of the Company shall be held in the State of California at such place as may be fixed from time to time by the Board of Directors on the first Tuesday in May of each year. The Company's last annual meeting of shareholders was held on May 4, 1965.

HEAD OFFICE AND OTHER OFFICES

The principal executive offices of the Company are located at 10889 Wilshire Boulevard, Suite 1500, Los Angeles 24, California. Other principal offices of the Company and its subsidiaries are as follows:

Oil and Gas Division:

Headquarters—5000 Stockdale Highway, Bakersfield, California

Rocky Mountain Division—828 Patterson Building, Denver 2, Colorado

Gulf Coast Division—Post Office Box 1451, Lafayette, Louisiana

The Best Fertilizers Co.:

Post Office Box 198, Lathrop, California

The Best Fertilizers Company (Texas):

8420 Manchester Road, Houston 12, Texas

Post Office Box 1980, Plainview, Texas

Jefferson Lake Sulphur Company:

1408 Whitney Building, New Orleans, Louisiana

Post Office Box 248, Brazoria, Texas

Jefferson Lake Petrochemicals of Canada Ltd.:

320 Ninth Avenue S.W., Pacific Building, Calgary, Alberta, Canada

S. V. Hunsaker & Sons, Inc.:

15855 Edna Place, Irwindale, California

Gene Reid Drilling, Inc.:

5000 Stockdale Highway, Bakersfield, California

International Ore & Fertilizers Corporation:

500 Fifth Avenue, New York, New York

Occidental Corporation of Florida:

Box 1328, Lake City, Florida

Occidental Research & Engineering Corporation:

10889 Wilshire Boulevard, Los Angeles 24, California

TRANSFER AGENTS

The transfer agents of the Company are:

United California Bank, Post Office Box 54261, Terminal Annex, Los Angeles, California

and

The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, New York

and

Canada Permanent Trust Company, 235 Bay Street, Toronto, Canada

The Company's share certificates are mutually interchangeable between its transfer agents.

TRANSFER FEE

No fee is charged on stock transfers other than the customary government stock transfer taxes.

REGISTRARS

The registrars of the Company are:

Bank of America National Trust and Savings Association, Post Office Box 2152, Terminal Annex, Los Angeles 54, California

and

Chemical Bank New York Trust Company, 20 Pine Street, New York, New York

and

Montreal Trust Company, 15 King Street West, Toronto, Canada

AUDITORS

The independent public accountants for the Company are Arthur Andersen & Co.

OFFICERS AND DIRECTORS

NAME & ADDRESS	OCCUPATION AND POSITION DURING PAST FIVE YEARS
Dr. Armand Hammer, Los Angeles, California	President, Chief Executive Officer and Director since 1957; Director of City National Bank of Beverly Hills.
E. C. Reid Bakersfield, California	Senior Executive Vice-President and Director since 1959.
Charles K. Schwartz, Los Angeles, California	Director since 1957; formerly a Director of Pacific Northwest Pipeline Corporation and senior partner of the law firm of Gottlieb and Schwartz, Chicago.
Robert S. Rose, Los Angeles, California	Vice-President and General Counsel and Director since 1962; General Counsel of McCulloch Oil Exploration Company of California, Incorporated, from 1956 until 1962 and Secretary, General Counsel and a Director of McCullough Oil Corporation of California from 1960 to 1962; formerly Deputy Attorney General of California.
Paul C. Hebner, Los Angeles, California	Secretary-Treasurer; Director since 1960; Secretary since 1959; employed by Occidental since 1957.
Dr. Louis A. Rezzonico, Santa Barbara, California	Director since 1964. Member of the management of Pepsi-Cola Company since 1952 and now a director and chairman of the management committee of that company.
S. V. Hunsaker, Los Angeles, California	Director since 1964. Chairman of the board of directors of S. V. Hunsaker & Sons, Inc., (engaged in residental construction in Southern California since 1938) having founded and served in the same capacity of the corporate predecessors of that company.
H. S. Ten Eyck, New York, New York	Director and Executive Vice-President of the Company since 1964; President of International Ore & Fertilizer Corporation (wholly-owned subsidiary of the Company) having been associated with that company and its corporate predecessor since 1948 and as President since 1959.
Eugene H. Walet, Jr., New Orleans, Louisiana	Became a Director and Executive Vice-President of the Company in 1964; President of Jefferson Lake Sulphur Company (wholly-owned subsidiary of the Company) and was President and, since 1946, Director of its corporate predecessor.
Dr. Ernest Csendes, Los Angeles, California	Executive Vice-President - Research and Development. 1961-1963 Armour Agricultural Chemical Co.; 1953-1961 E. I. du Pont de Nemours & Company.
Eberhard P. Deutsch, New Orleans, Louisiana	Became a Director in 1964; Senior partner in law firm of Deutsch, Kerrigan & Stiles, New Orleans, Louisiana; since 1947 a Director of Jefferson Lake Sulphur Company.
Arthur Groman, Los Angeles, California	Director since 1957; Senior partner of law firm of Mitchell, Silberberg & Knupp since 1948.
Frederic A. Gimbel, Los Angeles, California	Director since 1959; Vice-President and Director of Gimbel Bros., Inc., from 1922 until his retirement in 1948.
Neil H. Jacoby, Los Angeles, California	Director since 1959; Dean of the Graduate School of Business Administration, University of California at Los Angeles since 1955.
Dorman L. Commons, Los Angeles, California	Became Financial Vice-President in 1964; Douglas Oil Company 1947 to 1964 as Vice-President, Treasurer, Senior Vice-President.
E. F. Reid, Bakersfield, California	Vice-President and Exploration Manager since 1959; 1956 to 1959 Vice-President and Chief Geologist of Gene Reid Drilling, Inc.
Richard H. Vaughan, Bakersfield, California	Vice-President - Chief Geologist of the Company since 1959.
Charles C. Horace, Bakersfield, California	Vice-President - Chief Engineer of the Company since 1959.
Robert A. Teitsworth, Bakersfield, California	Vice-President - Member of geology department of the Company since 1959.
Charles J. Lee, Los Angeles, California	Controller since 1964 and Assistant Secretary. Formerly Controller for Tidewater Oil Company's Western Division, having been associated with that company since 1956.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, the applicant company hereby applies for listing the above-mentioned securities on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

OCCIDENTAL PETROLEUM CORPORATION

{Corporate Seal}

"ROBERT S. ROSE",
Vice-President.

"PAUL C. HEBNER",
Secretary.